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THE INCOME AND JOBS ACTION ACT OF 1985

HEARING

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 1398

TO PROMOTE GENUINE AND SUSTAINABLE RECOVERY AND A FULL EMPLOYMENT SOCIETY BY EXTENDING AND FULLY IMPLEMENTING THE EMPLOYMENT ACT OF 1946 AND THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1978

HEARING HELD IN CHICAGO, IL, SEPTEMBER 4, 1985

Serial 99-26

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THE INCOME AND JOBS ACTION ACT OF 1985

WEDNESDAY, SEPTEMBER 4, 1985

House of Representatives,
Subcommittee on Employment Opportunities,
Committee on Education and Labor,
Chicago, IL.

The subcommittee met, pursuant to notice, at 9:35 a.m., in the Ceremonial Court, room 2525, Dirksen Federal Building, Chicago, IL, Hon. Matthew G. Martinez presiding.

Members present. Representatives Martinez, Hayes, and Conyers.

Staff present. Eric P. Jensen, acting staff director; Paul Cano, assistant staff director, Genevieve Galbreath, chief clerk/staff assistant; Darryl Fagin, legislative assistant; Mary Gardner, Republican legislative associate.

Mr. Martinez. Will this meeting come to order?

Before I make my opening statement, I would like to introduce some of the members of our panel here. With us today are members of the Subcommittee on Employment Opportunities, Mr. Charlie Hayes and myself, chairman of the subcommittee, and joining us today also is a colleague of ours from Michigan, John Conyers, who will be giving testimony and will join us as a part of the panel.

With that, I would like to get right into the opening statement. As chairman of the Subcommittee on Employment Opportunities, I would like to express the subcommittee's pleasure in being here with you in Chicago to discuss one of the most serious and persisting problems confronting our Nation: that of high unemployment.

This morning's hearing will focus on legislation sponsored by a good friend and colleague of mine on the subcommittee, Congressman Charlie Hayes. It is H.R. 1398, the Income and Jobs Action Act.

[Text of H.R. 1398 follows:]

I

99TH CONGRESS
1ST SESSION

H. R. 1398

To promote genuine and sustainable recovery and a full employment society by extending and fully implementing the Employment Act of 1946 and the Full Employment and Balanced Growth Act of 1978.

IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 1985

Mr. HAYES (for himself, Mr. HAWKINS, Mr. CONYERS, Mr. WEISS, Mrs. COLLINS, Mr. CLAY, Mr. OWENS, Mr. STOKES, Mr. SAVAGE, Mr. DELLUMS, and Mr. EVANS of Illinois) introduced the following bill; which was referred jointly to the Committees on Education and Labor, Armed Services, Government Operations, Banking, Finance and Urban Affairs, and Ways and Means

JULY 15, 1985

Additional sponsors: Mr. GRAY of Illinois, Mr. RANGEL, Mr. KILDEE, Mr. LELAND, Mrs. BURTON of California, Ms. KAPTUR, Mr. FAZIO, Mr. CROCKETT, Mr. MARTINEZ, Mr. TOWNS, Mr. MILLER of California, Mr. KOLTER, Mr. BERMAN, Mr. MINETA, Mr. MITCHELL, Mr. DYMALLY, and Mr. PERKINS

A BILL

To promote genuine and sustainable recovery and a full employment society by extending and fully implementing the Employment Act of 1946 and the Full Employment and Balanced Growth Act of 1978.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Income and Jobs Action Act of 1985".

THE RIGHT TO EARN A LIVING

SEC. 2. (a) Every adult American able and willing to earn a living through paid work has the right to a free choice among opportunities for useful, productive and fulfilling paid employment (part- or full-time) at decent wages or for self-employment.

(b) All Federal departments, agencies, and commissions shall plan and carry out their policies, programs, projects, and budgets in a manner that will contribute to establishing and maintaining conditions under which all adult Americans may freely exercise this right.

(c) Neither the Federal Reserve System nor any Federal department, agency, or commission may directly or indirectly promote recession, stagnation, or involuntary unemployment as a means of reducing wages and salaries or inflation.

THE RIGHT TO AN ADEQUATE STANDARD OF LIVING OF AMERICANS UNABLE TO WORK FOR PAY

SEC. 3. (a) Every adult American unable to work for pay has the right to an adequate standard of living that rises with increases in the wealth and productivity of the society.

(b) No adult American shall be judged unable to work merely because of the unavailability of suitable paid employment opportunities at a given time or place or because of the lack of previous employment.

(c) In the absence of such opportunities and until such opportunities can be provided under section 2, an adult American able and willing to work for pay shall be provided with whatever income is required to maintain a moderate level of living, as defined by the Bureau of Labor Statistics.

CONVERSION TO EXPANDING CIVILIAN SECTORS

SEC. 4. (a) In the first annual message at the beginning of the first session of the Congress after the enactment of this Act, the President shall include specific proposals for a Conversion Planning Fund, to be administered by such agencies as the President shall determine.

(b) The purpose of such Fund shall be to promote short- and long-term plans for coping with declines in civilian or military activities by developing specific policies, programs, and projects (including but not limited to feasibility studies, education, training on the job, and inducements for whatever increased labor mobility may be necessary and desirable) for the expansion of economic activities in sectors where additional or improved goods or services are needed.

(c) In addition to such other funds as may be authorized, such Fund shall include no less than 1 percent of the amount appropriated for military purposes during each subsequent year.

LOCALLY BASED OVER-ALL PLANNING

SEC. 5. (a) Within six months after the date of enactment of this Act and thereafter in each annual economic report and budget message, the President shall transmit to Congress a staged program to create conditions under which the rights set forth in sections 2 and 3 may be fully and freely enjoyed and to set forth how the Fund created by section 4 may be most productively used.

(b) Such program shall be designed to prevent or counterbalance undue concentration of Federal or corporate power by fostering recovery and full employment planning by—

(1) town, city, county, and State governments and their agencies in urban, suburban, and agricultural areas of the country;

(2) small and large business enterprises; labor organizations and trade unions; the unemployed; nonprofit, voluntary, and cooperative organizations (including neighborhood, tenant and home owners' associations and corporations); women; and racial and ethnic minorities;

(3) broad-based local partnerships in which the groups referred to in paragraphs (1) and (2) cooperate—

(A) to assess unmet needs in their areas, including the need for voluntary leisure as well as for goods, services, adequate income, employment at good wages, and volunteer activities;

(B) to survey the supply of labor resources and of managerial, professional, and technical skills that might be used in meeting such needs;

(C) to analyze the potential for obtaining necessary funds from various combinations of private and public sources without undue reliance on Federal funding;

(D) to develop goals for the future (through the year 2000) of their area; and

(E) in the light of the activities conducted under subparagraphs (A) through (D), to initiate high priority action projects that attain prompt progress toward such goals through both private and public agencies and market and non-market processes.

(c) Such program shall be designed to promote conditions for more self-empowerment by people victimized by discrimination in hiring, training, wages, salaries, fringe benefits, or promotion on the basis of prejudice concerning race, ethnic background, gender, age, religion, station in life, political or sexual orientation, or personal disability.

(d) Such program shall include, but need not be limited to, general and specific policies and projects designed—

(1) to provide quick action through reductions in real and nominal interest rates, voluntary work-sharing arrangements, and a program of private and public works and services to use the abilities of the unemployed in repairing and improving the Nation's infrastructure of private industry, public facilities, human services, and natural resources;

(2) to provide improved Federal incentives for small and large business enterprises; labor organizations and trade unions; the unemployed; and non-profit, voluntary, and cooperative organizations (including neighborhood, tenant, and home owners' associations and corporations), with the receipt of any Federal incentives by larger corporations conditioned on their performance in living up to well-defined standards of corporate responsibility, including the obligation regularly to certify compliance with laws and regulations governing working conditions, labor relations, affirmative action, environmental protection, taxation, election contributions, and bribery at home or abroad;

(3) to provide for Federal grants to promote creative initiatives by local and State governments and

their agencies in planning and budgeting for genuine recovery and a full employment society;

(4) to promote staged reductions in paid working time by reducing the average work week in manufacturing to no more than 35 hours without any corresponding loss in weekly wages;

(5) to vastly increase the opportunities for voluntary part-time employment with full fringe benefits;

(6) to take such other steps as may be needed to cope with the threat of increased unemployment caused by the increased use of technology;

(7) to provide for vastly improved education, training, and retraining of managers, technicians, the employed, and the unemployed;

(8) to prevent plant closings through all feasible means (including conversion to other forms of production and ownership) and provide standards (including measures such as appropriate advance notice, termination payments, and extension of health benefits) for any corporation planning to close, substantially reduce, or relocate its operations;

(9) to promote conversion from military to civilian production; and

(10) to control inflation.

IMPLEMENTATION

SEC. 6. (a) As part of the annual program developed by the President under section 5, the President shall transmit in the annual economic report to Congress a short- and long-range schedule for implementing the purposes of this Act.

(b) The implementation schedule shall include, but need not be limited to—

(1) reductions in the military budget;

(2) recommendations for increased revenues through the reduction or elimination of wasteful tax expenditures and other loopholes in the tax laws;

(3) reduction in interest payments on the Federal debt by reductions in both real and nominal interest rates and Federal deficits;

(4) recommendations for the appropriate use and direction of public and private pension funds; and

(5) the creation or promotion of private and public development banks, particularly in neighborhoods and other areas of high unemployment and poverty.

(c) The implementation schedule shall include, but need not be limited to—

(1) the promotion of educational activities within each State on locally-based overall planning, with special attention to educational processes that promote and use the creative abilities of small, medium, and

large business, of labor organizations and the unemployed, and of nonprofit voluntary and cooperative organizations; and

(2) timetables for developing the conditions for progress in attaining the policy goals of this Act.

(d) Any outlays proposed by agencies involved in the implementation of this Act shall be presented in terms not only of gross outlays but also of net outlays, computed with a full estimation of any immediate impact additional employment may have in—

(1) reducing outlays by reducing the number of people receiving unemployment compensation, public assistance, and other transfer payments (without necessarily including reduced outlays resulting from improvements in public health and safety); and

(2) increasing tax receipts as a result of more individuals earning income subject to social security and income taxes and more business enterprises, particularly small business, earning the larger, more stable, and less subsidized total profits possible under conditions of full employment.

○

Mr. **Martinez**. Congressman Hayes' bill works toward the reduction in unemployment by fully implementing the Employment Act of 1946, and the Full Employment and Balanced Growth Act of 1978.

In addition to testimony on H.R. 1398, the subcommittee will receive testimony on the implementation of the antidiscrimination law under the Job Training Partnership Act.

In a city deeply affected by double digit—by a double digit rate of unemployment, you all are fully aware of our Nation's urgent need to adopt measures aimed at combating this tragic situation.

Current national figures show that over 8.4 million Americans are out of work and that is just the ones that are counted. If you really count those that they cannot really easily identify, it is more like 17 million people out of work and that are willing to work. It is more than that for the minorities.

Unemployment has remained constant at 7.3 percent for America's minority populations, and the situation is much worse. Hispanic unemployment stands at 11.2 percent, while black Americans suffer a jobless rate of more than double the national average.

In 1978, the Humphrey-Hawkins Full Employment Act was enacted in order to deal with our Nation's unemployment. Although the act calls for the President to work toward full employment, no significant effort has been made by this administration to carry out the mandates of the law. Rather than develop measures aimed at reducing high unemployment, the administration has chosen to attack those programs which have been most effective in helping those without work gain unsubsidized employment.

The present administration continues to bombard the American public with a perception that we are undergoing a full economic recovery. However, the reality of the situation is that we are no where near that goal. A full economic recovery must include all sectors of society, not just those in the upper class who are most easily affected by an occasional upturn.

The Income and Jobs Act works toward the true sustainable economic recovery by establishing a Presidential program designed at reducing high unemployment. Although the President believes that unemployment is a dead issue, our Nation's high rate of unemployment attests to the urgent need to do something about this lingering crisis.

True and meaningful economic recovery must include a substantial reduction in our Nation's unemployment rate because without it, the promise of a full economic recovery remains wholly an illusion.

With that, I would like to turn to a member of the subcommittee, Charlie Hayes, for an opening statement.

Charlie?

Mr. **Hayes**. Thank you, Mr. Chairman.

I would like to personally thank you, as my distinguished colleague, chairman of the Subcommittee on Employment Opportunities, for having the insight to have the hearing on this vital legislation.

I also want to thank a cosponsor of H.R. 1398, my colleague, Congressman Conyers, from the State of Michigan, for his coming and appearing with us, to participate in this hearing.

I would also like to thank each witness who agreed to testify here today, and the ladies and gentlemen who are here in the audience, who are here in support of the principles contained in The Income and Job Actions Act, H.R. 1398.

We have rather strong competition today for media attention as a result of the strike that is now in the process, the teachers' union, and it is my hope that this issue will be resolved, but we have to deal with what is a cancerous situation, the problem of unemployment.

The bill, H.R. 1398, sets up a program for carrying out The Employment Act of 1946, and the Humphrey-Hawkins Full Employment and Balanced Growth of 1978. Two laws which have not come to being followed by the present administration.

The program includes income maintenance, conversion planning, military and civilian production, and decline to growth, growing civilian industries, and locally based overall planning. It also requires the President to transmit to Congress a short-run and long-run financial plan to carry out the act.

Most of the American people do not need hearings, seminars, or discussions to familiarize them with the realities of unemployment, and the disastrous effect of the Reagan's administration economic policies.

This administration currently lists over 8.4 million Americans unemployed, but the true number, as the chairman has said, is much higher. I am reminded of a statement that was made 30 years ago, right here in Chicago, by the late Albert Einstein, in talking about human rights today, this is a quote,

> "We are a friend primarily to the following demands: protection of the individual against arbitrary infringement by other individuals or by the government, and the right to work and to adequate earnings from work, freedom of discussion and teachings, and the participation of the individual in the formation of his government.
>
> These human rights nowadays are recognized theoretically, although by abundant use of formalistic legal maneuvers they are being violated to such greater extent than ever in a generation ago.

I would like to say, Mr. Chairman, and I know we will have a full and meaningful day, and I want to say that I just appreciate your coming in here. We have got to begin to let our colleagues in Congress know how important it is to come up with some legislation to answer the problem of unemployment.

Thank you very much.

Mr. MARTINEZ. Thank you, Mr. Hayes. It is very important, and we are glad to be here with you.

With that, I would like to—

Mr. CONYERS. Wait a minute.

Mr. MARTINEZ. With that, I am going to turn it over to a Member of Congress, John Conyers, from Michigan, for an opening statement also.

Mr. CONYERS. Thank you, Mr. Chairman.

I want to say, first of all, that I appreciate your consideration in inviting me to join the panel, and, second, I want to thank my colleague, Charlie Hayes, for moving forward with this legislation that we have been working on so long, and at least three of the people that are going to testify have been working on this matter now for decades.

We are looking at Dr. Leon Keyserling; former chairman of the Council of Economic Advisors; Bill Winpissinger, the president of the International Association of Machinists; and Bill Lucy treasurer of AFSCME. I want to just advise everybody here that this is the most important work I have done in the Congress, and I want to say to you, Chairman Martinez, that you have an opportunity to go down in history, and I think you will, in the handling of this measure.

I am far from dismayed about where we stand in this country in terms of the ridiculous unemployment rate and the suffering that has flowed from it because I think that now that we are getting over the Reagan insanity and that we are now beginning to come out of this myopia and to think about how this country should be governed, what economic principles should operate, we are beginning to understand that it does not have to continue on like this.

And, so, it is in that spirit of positiveness that I am very pleased and honored to join you here at this hearing in Chicago.

Mr. **Martinez**. Thank you, John.

The words you speak are very, very true. I think it is time that the country is beginning to understand that it has just been a perception, not a reality, that we are on our way to an economic recovery.

Continuing the policies that have continued today are—are continuing today under this administration, we will have a worsening crisis that we have ever seen. Fortunately for us, our Congress will not allow that to happen.

With that, I would like to turn this meeting over to Charlie Hayes to Chair, as it is his district, and as we are here as a guest and a friend to him, and from this point on, Charlie Hayes will be Chairing the meeting.

Mr. **Hayes**. Thank you, Mr. Chairman.

Let me say that the hearing in this Federal building is being held in a colleague, Congresswoman Collins' district, and she sends her best wishes for a successful hearing.

The first one on the witness list happens to be my colleague, John Conyers.

Mr. **Conyers**. Well, Mr. Chairman, I am going to ask to defer my testimony. One of the advantages of being on the subcommittee is you can get in your licks pretty frequently, as everybody knows. I am anxious to hear from my brothers and yours in the labor movement, from the economist that has been around since the Employment Act of 1933, and that has worked on every major piece of employment legislation that I know of, and, so, with that, I will defer at the moment, hopefully, get my statement in a little bit later.

Thank you.

Mr. **Hayes**. OK. We have a rather impressive list of witnesses, which you will hear. We are operating under some time constraints, as you must know. We have to leave here, this Federal building, and go out where many of the victims are, and I am sure it is going to be of interest to Members of the Committee here to go to one of the housing developments and have a session with some of the people who are real sufferers of unemployment, go to the training center where they are trying to, on the south side, prepare people to fit into our society, into jobs that do not exist in many instances, which we hope that H.R. 1398 will help to correct.

Each of you, you have copies, for the most part, of your prepared statements, we want you to know in advance that your entire statement will be made a part of the record, and if you can limit your time, we will be able to get through all the witnesses.

Our first witness will be Mr. William Winpissinger, international president of the Illinois Association of Machinists and Aerospace Workers.

Would you come forward, Mr. Winpissinger?

STATEMENT OF WILLIAM WINPISSINGER, INTERNATIONAL PRESIDENT, ILLINOIS ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS

Mr. WINPISSINGER. Thank you very much, Mr. Chairman.

Let me indicate, first, my pleasure at being invited to be here with you this morning because it is in pursuit of what I consider God's work to be, and it has already been stated very accurately that there is a bountiful amount of misery around America today, being tolerated by the least advantaged in our society, and any effort to alleviate that kind of suffering is commendable, to say the very least.

I am here to indicate support for H.R. 1398, and to condemn—commend its sponsors for having the temerity to once again attempt to inject the words "full employment" into the national dialogue. They have been absent for far too long.

We have framed rather extensive testimony, starting out with the "twilight zone" in which we live politically today, with particular regard to full employment, and locked, as we are, in the grip of a Federal administration today that has everything upside down, right is left, up is down, and on and on it goes, day in and day out, and that is why this kind of a legislation is so essential in terms of finally to set something on course that is right.

And, we are disturbed, as our testimony indicates, over the propensity of our society today to base an economy on a big lotto, to base the fortunes of State and local governments, in many cases, on a big lotto. It seems to us to produce more losers than winners over the long pull, and it has not even occurred to those that are winning the game yet, and I do not think it is a very solid foundation on which to build any kind of an economy that can expect to endure the troubled times we all know lay ahead.

And, central to that and central to the underpinning of the legislative proposal is the fact that the American dream no longer seems to be embodied in the solid virtues of hard work, production of hard goods with the utilitarian value, or provisions of the basic necessities and services of life and civilization.

It is certainly no longer, in terms of the American dream, enunciated in terms of full employment or even rewarding employment for those who are permitted to work in the current framework.

We take some pains to try to trace that thread, and what we see happening to the free enterprise system, which is being slowly strangled by the unbridled free market that we hear so much about these days, and I am reminded that a long time ago, a chap who became rather well known, Lord Keynes, and I think everyone knows that he was hardly a Marxist or Leftist or Leninist or anything of that sort, took a look at the global economy at that time, characterized by massive unemployment, famines and rising poverty in every continent, and sensitive concentrations of capital on national and local scales, a paralysis of international trade, and uncontrollable and nationalistic protectionism, and all of that was in an environment of escalating arms spending and approaching militarism.

And, the venerable Lord Keynes said this about that situation, and I quote him,

> The decadent international, but individualistic capitalism in the hands of which we find ourselves is not a success. It is not intelligent. It is not beautiful. It is not just. It is not virtuous, and it doesn't deliver the goods.

I think we can say precisely that as we meet today, as we are forced more and more to rely on the big lotto's game and others of that type for survival. And, I might say that the current malaise is not delivering the goods either.

As members of the committee know, I am sure, about 3 or 4 years ago, my organization went to considerable expenditure of time and talent, resources, trying to develop and design an economic alternative to what we perceived as the slapdash militaristic and elitist stuff that has been coming down on us ever since the days of Richard Nixon, but never so brutally, I might add, as it has in the last 4 years.

And, we call that exercise "rebuilding America", and the assumptions underlining the need for that effort, and the goals that it shot at, pertain just as much today as they did then and perhaps more so. These chronically high levels of unemployment persist, the number of people forced to dwell in poverty is constantly on the rise.

Pat Buchanan's recent statements to the contrary notwithstanding, chasms are rising between the rich and the poor, and the evidence is everywhere. Even differentials in income levels and opportunity among the sexes and races are hardening into some very rigid class lines and distinctions, and there is a growing body of empirical evidence that we find very disturbing, showing that the beginning of the decline of the broad middle class, as we always called it, beginning to set in.

Now, loosely woven throughout that disintegrating fabric of our country, and I really believe that is what it is, are the uncontrolled forces of capital flight and mobility that are central to everything that is going on. The accelerated rate of labor displacing technology and the ultimate combination of those to things in international trade, and the loose cannons of corporate tycoons these days, kind of a new breed, I guess, self-centered but in macho corporate management, nonetheless.

We are not plotting or winning the trade wars nor are they contributing to peace, security and stability right here at home or anywhere else around the world. It is from that vantage point that we try to go back in our testimony to the beginning. "Where did it all begin?" And, one of the things that jumps at us, it seems, is the fact that far, far too long in the development of our country, the

Government has used unemployment as a means to control price inflation, and restrictive monetary and fiscal policies are used with the full knowledge that they are going to cost millions of Americans their jobs and their livelihoods.

I would say that any policy that sacrifices the economic well-being of millions of citizens is morally indefensible and it is hypocritical as well when, at the same time, we dwell on the work ethic as one of the backbones of our existence. We engage in a policy that deliberately puts us on an alert, preaches the work ethic, brings down all the hell that our society is capable of creating down on their heads as being shiftless, indolent, and a lot of other perhaps worse things, and they get the contempt of their fellow citizens, and, again, popular conviction notwithstanding, very, very few of the unemployed manage to get unemployment compensation worthy of the name.

Fully two-thirds of those today do not have any access to compensation nor do they have any access to health care or any of the other emollument of at least life standards and like requisites while they are unemployed, and unless you have a union contract, it is clear that nobody gets any transfer or relocation assistance of any kind.

Pension credits are lost, vested interest is down the drain, and the whole Social Security System is undermined because every one knows, if they evaluate the evidence, that if we had enjoyed full employment in this country throughout the Nixon/Ford/Reagan years, the Social Security crisis would have never come upon us, because revenues would have been sufficient to handle the normal functioning of the system, and the fact that we engaged in those kinds of policies undermines collections of the system and, therefore, created a benefit crisis, albeit not anywhere near as severe as its detractors would portray it.

And, now, President Reagan comes along with the adoption of a geriatric solution to planned unemployment, and he calls it "work till you drop dead", "don't ever go on social security, that will solve the problem."

And, there is a body of evidence presented before the Federal Congress on many occasions by knowledgeable experts in the field as to the severe human and social costs that are attendant to unemployment, the increase for each 1 percent unemployment increases, we have a corollary increase in suicides, homicides, mental breakdowns, family disruptions, divorces, and all the rest of it, and the plain fact is that no one wants to face up to it; unemployment actually kills on that basis. It actually destroys life, and I would say that the practitioners of planned unemployment are, at the very least, guilty of economic murder because the evidence is there and it is empirical.

We go into some of the macroeconomic arguments, and find that planned unemployment is indefensible in that arena as well. Each 1 percent of unemployment in the Nation today costs the Federal Treasury $30 billion of lost revenues, $100 billion of goods and services are not produced in the total economy, and the fallout effect, the multiplier effect of that is lost, and that comes about, quite clearly, because of a loss of purchasing power among the victims.

Now, we come to the conclusion in our shop that it has got to be a smokescreen, the relationship between the inflation and unemployment or employment, take your pick, has to be some kind of a smokescreen as it has been peddled up to now, because every time we start down the furrow creating a full employment environment in this country, the detractors immediately scream, "what about inflation?"

Now, there is some interesting work that has been done recently, and we point to the source in our testimony, Prof. Lloyd Duman down at the University of Texas in Dallas, went back to 1950 and took a look at the average annual conduct of inflation on the one hand and unemployment or employment on the other, and came to the very established conclusion, that has stretched consistently for the entire 35-year period, inflation was lowest when unemployment was lowest, and inflation was highest when unemployment was highest, all through that timeframe.

So, finally, we have some work before us that we can consult, and I think Professor Dumas long ago has established his qualifications. So, that seems to be, in terms of history, as much about it as we can determine. The history gives light to the orthodox notion that the way to control inflation in this country is to increase joblessness.

Always, I ask, how do we penetrate the minds of the policymakers and the heads of the academics with that historical truth. Quite another matter, I fear. And, what makes the job of this committee so awesome and why it so much commands our support.

It seems that there are too many who only hear what they want to hear when it comes to the abundance of misery in America. They want to turn their heads and their minds away from the fact that it exists, and it all comes down, I think, in the final analysis, to getting from where we are to where we must go, who pays the price, who makes the sacrifice. Those who can least afford it or those who can most afford it, and I, unabashedly, this morning, put my organization solidly on the side of those that can most afford it, bearing the sacrifices.

We are really, the whole Federal tenor, the whole administration tenor, that suggests that the defenseless take it on the chin and we keep heaping more and more on their back, and we have to make sacrifices again in the future, so we keep rewarding those who will already have enough and denying further those who have little or anything.

So, line us up on the side of this legislation and this committee, Mr. Chairman. Even when it comes to pricing policies in the country, Prof. Bob McCathman, an old economist friend of mine, I thought, said it well a few years ago, when he said, "Most prices are already controlled, but not by the Government." That is something else we need to take a look at.

But, I guess all of those are old, unsettled issues, whose day of resolution perhaps is yet to come, but I think the champions of full employment do very well to keep these issues in the forefront of the public dialog, alive and burning in the public debates, so that they just cannot be permitted to go away, and I will stand shoulder to shoulder with you on enlivening that debate, as we move into the future.

I think it is well in this whole subject matter to be aware of the role that these loose cannons of technology and international trade play in the whole unemployment picture, and some of the recent thoughts that have surfaced with respect to those problems.

No one denies that the rapid introduction of all the technology in the market work places is threatening further the job base of the country, and, recently, Prof. Melvin Klarer, at the Pyrotechnic Institute of New York, put the proposition this way:

> Robotics, automation, and artificial intelligence will soon be capable of destroying the foundation of our work-based society.

And, he said,

> We define the work-free society to be a national entity where less than five percent of the equivalent full-time employable population is necessary for the direct production of basic utilitarian goods at present levels of individual consumer consumption.

That was based on a 35-hour workweek, by the way. And, he concluded,

> The impetus that will drive this country to the status of a work-free society will be the perceived need to compete in the international market place.

Words that we hear and read every day of the week presently.

Now, I do not think we need to agree or disagree with the professor's assumptions or his conclusions; the point is that he represents the dominant contemporary thinking that links technology with the international trade and vice-versa.

Of special interest to us is his definition of "full-time employment", 35 hours a week. In virtually every activity in this country today, save one sector, there is already a de facto 35-hour workweek. The lone excepted sector being that of manufacturers, where we still maintain our rigid devotion to the 40-hour work week.

One of our schemes in rebuilding America, the work I alluded to earlier, seeks to amend the wage and hour laws of the country to reduce the workweek standard from 40 to 30, with time and a half overtime rates after 6 hours a day, and that is not only a share the work proposal, although I certainly think that is called for in the current high unemployment atmosphere.

Another professor, John Jackson, of the University of Kentucky, College of Engineering, makes a very compelling argument, recently done work, that over the course of history technology has presented workers in our country with a gift of time in the form of shorter working hours, and, now, he argues, workers are rigidly laced to the 40 hour standard in manufacturing, and that such is wasted work. Redundant work, and it impairs efficiency and causes Government tax revenues to rise very steeply, and as they attempt to pay for the inefficiencies and wastes, meaning surplus labor and idle physical resources, caused by this unnecessary high and rigid work week standard.

But, it is always argued that clearly and inevitably with the crowd of rightwingers that seem to be in control of things today, it is argued that work time can not be reduced if the U.S. employers are to be competitive with their cheap labor competitors in international trade, productivity, and all of that.

Well, the professor has come out with a very neat little formula that answers most of the questions workers have in their minds on this subject. He calls it "E equals W/T," E being for efficiency or productivity, W is for goods produced, which is wealth, and T is the unit of time in hours or weeks, and he demonstrates the productivity is directly related to the wage rate and inversely proportional to time, and if you want to increase productivity or, hence, wages, reduce time, and if that is true for the United States, I would suggest to you it is also true for any other economy in the world.

And, the question foremost in the workers' minds, of course, when we talk about reducing work time and presenting them with the gift of time, is, what do we get, what is the bottom line, because, after all, unemployment is the subject that brings us together this morning. Here is a gift of time, albeit there is no money and no income.

So that equation tells us that rising wages are absolutely compatible with reduced work time, and as far as we know, this is the first scholarly based evidence to come from the professional engineering ranks in support of the reduced work time standards, and I commend Professor Jackson's work to this committee and to the general public.

So much has been said and written in the dialog about the international trade situation over the recent times, I feel little compulsion to get deeply into it, except to point out that the former providers of jobs to American workers, in order to make sure that they did not suffer disproportionately or even proportionately, in the trade sweepstakes, to protect the shareholders and their own investments, simply went abroad, either with their own capital or bought pieces of companies formed abroad, that are providing jobs and providing a steady stream of unfettered imports into the United States.

They are taken care of. The workers are displaced, and they are tossed on the social scrap heap very unceremoniously and told to get along the best way you can. The American dream for them seems, at that point, badly punctured, if not completely invisible, and when it comes to those kinds of trade inequities, they are mounting rapidly.

More scholarly work has recently been done on this administration's own documentation that shows a steady erosion in what were former surplus areas of foreign trade, and the surpluses are being systematically reduced, in one case, by 188 percent in the course of 1 year.

More and more of our industries are eliminated, which makes the problem we face that much more severe. Every one would think, I guess, that we in the machinists union are safe and secure. We represent people in a lot of these cutting edge high-tech industries that provide what are still basically good jobs, and especially in that area of military production, where we have seen fit to spend all of the Government's income in recent times, and, therefore, we are sitting very neatly.

Right? Hell, no. That is wrong, Mr. Chairman. It is wrong by a mile. And, the Department of Commerce's own trade publications will prove it, and that is where we talk about the erosion surpluses, even in those small areas where we still have remaining surpluses of trade.

I think that probably what we close our testimony with, and to the extent that it will intermix with the proposals your committee is considering, is embodied in rebuilding America. I intended, Mr. Chairman, to bring some copies of that with me, but because of bulk and everything else, and not knowing how many would be here, I decided it would be much easier if I convey them to the Capitol when we get home and make sure that they arrive in the hands of all of your committee.

I have to probably tell you it has gone through two printings, of 20,000 copies each, and that is without any type of any kind, no publisher or anything else; we did it internally and just put it out on request.

We think, as well, that advocates of full employment in our country would do well to make contact with like-minded people around the globe and particularly among our trading partners in the world and particularly in Western Europe. We think perhaps there are ways to approach the problem we have not yet comprehended fully here in the United States.

And, may I say if there is a cabinet of full employment economists and politicians that is beginning to emerge, you are in the forefront of the political aspects, and I would hastily add that most are not rank protectionists or Luddites. They seriously want to go to work on the problem.

We think, in conclusion, that to the extent this legislation does it, and to the extent that there has to be additional future legislation dealing with other aspects of the problem, that we ought to pursue always sound major objectives in any thing we do.

Number 1 would be the right of every individual in this country to rewarding employment and a full employment economy. That is an absolute matter of birthright.

Second, an equitable distribution of wealth, income, and political power that is derived from them.

Third, industrial democracy in the work place. The unfettered and absolute right of employees to form and join trade unions and bargain selectively with their employers over terms and conditions of employment.

And, beyond that, to have participation in all of the national or international planning levels, as their employer may be involved, and to be involved in investment decisions, and any other criteria which may impact upon their lives and livelihoods.

It is not an inappropriate extension of what our country fundamentally stands for, the operation of democracy in the work place from the top, from the bottom to the very top.

And, fourth, the pursuit of peace and prosperity for all, and we think one of the major ways to go in that is through economic conversion. We think that's a complimentary and a priority goal of any full employment program.

And, conversion planning, in that context, takes on special importance in view of a lot of recent studies that have been done that indicate that 85 percent of the arms budget may be uncontrollable by 1989, and it is mind-boggling almost to think and to comprehend that all of that militaristic conduct is not moving us one tiny little bit toward full employment or even fuller employment. In fact, it is operating exactly the other way around.

It is increasing and intensifying the problem. To us in the machinists union, there is no acceptable level of unemployment. To us, full employment is one more job opportunity than there are workers to fill it, and that really is full employment, and I think the time to put it on the political agenda is now, and I am delighted to be here with you to attempt to do that.

The big lotto certainly is not getting us there. That is a thumbnail sketch, Mr. Chairman. I would submit any thoughts or ideas I have to any question you may have.

Mr. HAYES. Thank you very much.

[Applause.]

[Prepared Statement of William Winpissinger follows:]

PREPARED STATEMENT OF WILLIAM WINPISSINGER, INTERNATIONAL PRESIDENT, ILLINOIS ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS

In an economic system that is increasingly characterized by irrational behavior; that is to say, an economic system that more and more depends upon the "Big Lotto" to maintain its constituency's faith in it; it may be mere twaddle or waltzing through the political economy's twilight zone, to sit here and discuss the notion of getting full employment back on the political agenda.

For the truth is, as the "Big Lotto" and assorted other crap shoot schemes become major revenue producers for defederalized, deindustrialized, and deunionized State and political economies, then those gaming devices inevitably come into conflict with their intended purposes.

The more revenues they produce for State and local governments, the less booty there is to distribute to prizewinning players, and the less booty for citizens, the more widespread disillusion with the "Big Lotto" system.

Beyond all argument, "Big Lotto" produces more losers than winners, and sooner, rather than later, that fact is going to occur to common ordinary people, even if it doesn't occur to those who are running the game today.

It is not at all a solid foundation upon which to build an economy—local, State or Federal.

The American dream no longer seems to be embodied in the solid virtues of hard work, production of hard goods with high utilitarian value, or provision of the basic necessities and services of life and civilization.

The American dream is no longer enunciated in terms of full employment, or even rewarding employment for those who are permitted to work. It is instead transferred into the maniacal desire to escape from rational and responsible economic and social behavior, by throwing the dice in one do-or-die crap game after another. Winner-take-all and devil-take-hindmost, are the stakes of intellectually and morally bankrupt economic handicappers. And that's the name of the game in today's cynical economic and social polity.

Bankrupt handicappers and their apologists in academia and media, like to call the game "playing the free market and free enterprise." But only the minnows who've been fed to the whales over the past few years, really know what "free enterprise and the free market" mean. The free market means death to free enterprise; delusions of grandeur and economic schizophrenia among the bloated whales, notwithstanding.

A long time ago, a fellow by the name of Lord John Maynard Keynes, certainly no Marxist-Leftist-Leninist, took a look at a global economy characterized by massive unemployment, famines and rising poverty on every continent, intensive concentrations of capital on national and global scales, a paralysis of international trade and uncontrollable and nationalistic protectionism. And all that in an environment of escalating arms spending and encroaching militarism.

Here's what the venerable Lord Keynes said about that situation: "The decadent international but individualistic capitalism in the hands of which we find ourselves . . . is not a success. It is not intelligent. It is not beautiful. It is not just. It is not virtuous. And it doesn't deliver the goods."

That's precisely what we can say today, as we are forced to more and more rely on the "Big Lotto" to deliver the goods.

(For those who-may react to our use of Keynes, especially those in the Reaganite and right wing camps, not to mention our only slightly more rational neo-Liberal friends, who have staked their careers on the assertion that "Keynes is dead," we need only retort that current Federal deficit spending and outstanding Federal indebtedness during the past four years, make their President and their policies, fiscally Keynesian; albeit, it's a militaristic Keynes.)

But military Keynesianism isn't delivering us the goods or full employment.

It's throwing us all in the "Big economic lotto" and deadly militarized crap shoot.

In this environment, then, it may well be futile to try and put full employment on the economic and political agenda. But try we must.

As members of the committee know, three or four years ago, the IAM spent considerable time, talent and resources, developing and designing an economic alternative to the slapdash militaristic and elitist stuff that has been coming down on us since the days of Richard Milhaus Nixon, but never so brutally as in the recent four years.

Four years ago, we call our exercise rebuilding America. The assumptions underlying the need for the effort and its goals pertain as much now as then. Chronically high levels of unemployment persist; the number of people forced to dwell in poverty is on the rise; chasms are widening between the rich and poor; and gaping differential in income, wealth and opportunity among the sexes and races are hardening into rigid class lines and distinctions: and there is a a growing body of empirical evidence to show the beginning of the decline of the broad middle class.

Loosely woven throughout this disintegrating fabric of America, are the uncontrolled forces of capital flight and mobility, rapid introduction of labor displacing technology, and their ultimate combination in international trade. These loose cannon, under command of a rather new, self-centered and macho corporate management, are not quieting or winning the trade wars; nor are they contributing to peace, security and stability here at home or around the world.

But let us go back to the beginning.

For too long, now, the United States Government has used unemployment as a means to control price inflation. Restrictive monetary and fiscal policies are used with full knowledge they will cost millions of people their jobs and livelihoods.

Any policy which consciously sacrifices the economic well-being of millions of human beings is morally indefensible. Hypocrisy compounds the moral offense when employers and Government officials preach the gospel of the work ethic. While concocting and implementing programs and policies to put people out of work.

Policies that promote and perpetuate unemployment are even more heartless when we examine the treatment of unemployed people in our country. Besides the scorn heaped on those our of work, by those who put them there, and often by those who are more fortunate, unemployment brings economic castigation, too. Conservative and right wing myth notwithstanding, far less than half the unemployed received unemployment compensation. In fact, currently, less than 30 percent of the unemployed are receiving unemployment compensation.

Those that do receive unemployment compensation, do so for a limited number of weeks and the amount received ranges from 25 to 66 percent of their average weekly income earned while working, depending upon which State a worker lives in.

Unemployed workers and their families lose access to medical and health services. Unless they have a union contract, most unemployed receive no job transfer or relocation assistance.

They lose pension credits, and for those who may have acquired vesting rights in employer-paid pension plans, they may never see a nickel of that money set aside in their name.

And, of course, unemployment diminishes workers' Social Security payments in future years, particularly, if it comes toward the end of the older worker's career. It is also understood, that if unemployment were not so widespread and persistent, there would never have been the recent Social Security funding issue.

Unmentioned, but underlying all other reasons given for the Social Security crisis, is the simple fact that full employment would not only solve the problem, it would have prevented the crunch in the first place. But planned unemployment has led the Nation's policymakers to adopt a geriatric solution to retirement income problems: Work 'til you drop dead.

Then, there are the severe human and social costs attendant with unemployment: increased homicides, suicides, mental breakdowns and family disruptions.

The plain fact is, unemployment kills, and those who consciously plan and create unemployment on the scale that it exists today, are guilty of committing economic genocide.

Workers and their trade union representatives in West Europe and Japan, our major trading partners and cold war allies, listen in disbelief when informed of the way unemployed workers in the U.S. are mistreated.

(And here we are, trying to tell Greece, Nicaragua, Spain and the rest of the world, how to behave!)

On purely macro economic grounds, planned unemployment is indefensible, too. Each one million unemployed workers costs the U.S. Treasury $30 billion in lost tax revenues, subsistence unemployment compensation and welfare payments. Simultaneously, the private sector is robbed of $100 billion in goods and services not produced, because of the lost purchasing power of those million unemployed.

Still, though, our adversaries hark back to shrieks "What about inflation?"

It must be a smokescreen. According to data from President Reagan's own 1985 economic report, Appendix B, pages 271 and 296, as calculated by Professor Lloyd Dumas of the University of Texas at Dallas, since 1950, average annual rates of inflation, over both five and 10-year periods, were lowest when unemployment rates were lowest; inflation rates highest when unemployment rates were highest.

Thus, in the 10-year period 1950–59, average annual inflation was 2.1 percent with average annual unemployment 3.4 percent. In comparison, the 1970–79 period saw average annual inflation of 7.1 percent with average unemployment of 6.2 percent.

The current 5-year trend (1980–84) shows a 7.5 percent average annual inflation rate with 8.3 percent average annual unemployment. Should someone argue that inflation is currently under control, we would ask them to be more specific. Certainly wage inflation is, but interest rate inflation and military production prices are not.

History, then, gives lie to the orthodox notion that the way to control inflation is to increase joblessness. But how we penetrate policymakers' minds and academics heads with that historical truth is quite another matter. They seem to hear only what they want to hear. (Or what a filtered news media system is willing to deliver to them.) Even if the inflation-unemployment trade-off were accurate, the unspoken issue is, Who is going to make the sacrifice? Those who can least afford it, or those who can most afford it?

We would unabashedly place the burden on those who can most afford it. And if the macho commanders of corporate loose cannon should go on a capital strike, as they did in Mitterand's France, then we would have Government intervene and put striking capitalists under public trusteeship, seize their assets and operations, and run the enterprise in the national and public interest, until the inflation crisis passed. For as economist Robert Lekachman has noted, "Most prices are already controlled, but not by Government."

But these are old unsettled issues, whose day of resolution is yet to come. Champions of full employment, though, do well to keep those issues alive and burning in the public debate. Otherwise, intellectual trendiness will dampen their flame and political fashion, smother truth's embers, and we shall risk abandonment to cold hearths and hearts of ice.

Now let's pay brief attention to those loose cannon of technology and international trade.

At a recent University of Kentucky conference, a group of engineers and scientists discussed with profound deliberation and thought, the issues involved in harmonizing technology with society.

Professor Melvin Klerer, of the Polytechnic Institute of New York, put the proposition this way: "Robotics, automation and artifical intelligence will soon be capable of destroying the foundation of our work-based society."

He said, "We define the work-free society to be a national entity where less than 5 percent of the equivalent full-time (based on 35 hours a week) employable population is necessary for the direct production of basic utilitarian goods at present levels of individual consumer consumption."

Professor Klerer concluded that, ". . . The impetus that will drive this country to the status of a work-free society will be the perceived need to compete in the international marketplace."

We need not agree with Professor Klerner's assumptions or his conclusion. The point is, his represents dominant contemporary thinking, that links technology with international trade and vice versa.

Of special interest to us is Professor Klerer's definition of full-time employment as 35 hours a week. Our national wage and hour laws in this country are based on the 40-hour week. Yet, a review of Bureau of Labor statistics data for the past five years, clearly shows the entire U.S. employed work force, with but one sectoral exception. Are already on a de facto 35 hour week. The exception is, the manufacturing sector, where the 40-hour week remains the standard.

Representative Conyers is to be commended for faithfully introducing, over the past decade, legislation to officially reduce the workweek to 35 hours. We've always supported his efforts.

But our own rebuilding America plan, would amend the wage and hour laws to reduce the workweek standard from 40 hours to 30 hours. With time-and-half overtime provisions after six hours per day.

This is not only a share-the-work proposal. Although that is certainly called for in a high unemployment economy. Professor John Jackson, of the University of Kentucky's College of Engineering, makes the compelling argument that over the course of history, technology ahs presented workers with a "gift of time," in the form of shorter working hours.

Now, he argues, workers are rigidly laced to the 40-hour standard, and that that is wasted work. Redundant work, impairs efficiency, and causes Government tax revenues to rise steeply, as they attempt to pay for the inefficiencies and waste (surplus labor and idle physical resources) caused by an unnecessarily high and rigid workweek standard.

But, it is argued, worktime can't be reduced if U.S. employers are to be competitive with cheap labor competitors in international trade, productivity, and all that.

Professor Jackson answers that. He measures productivity in dollars per hour, the same as wages. Then he gives us a neat mathematical equation: $E = W/T$; where "E" is for efficiency (productivity); "W" is for goods produced (wealth); and "T" is for unit of time in hours or weeks. And he demonstrates that productivity is directly related to the wage rate and inversely proportional to time. And if you want to increase productivity—hence, wages—reduce time. If this is true for the U.S., it also true for any other economy.

The equation answers the question foremost in workers' minds, when we talk about reducing worktime and presenting them "the gift of time." Unemployment, by whatever cause, provides the gift of time, but what about money and income?

Professor Jackson's equation tells us rising wages are quite compatible with reduced worktime.

As far as we know, this is the first scholarly-based evidence to come from professional engineering ranks in support of a reduced worktime standard. We would commend Professor Jackson's work to the committee and the public.

The international trade implications of technology and reduced worktime standards disposed of, we can now focus on some narrow segments of international trade, itself.

Our employers and most politicians like to tell us we aren't really losing the trade wars; that, in fact, it is in our best interest as workers, consumers, Americans and citizens of the world, if we make sacrifices during a transition of our domestic economy from manufacturing to a service economy; if we be patient and wait until the goods of free trade determine our economic slots in a global information-based economy.

They can't tell us, of course, where it all began, or why, or how it will all end, or when.

We know, though, the human beings can't compete with machines in any repetitive operation, be it lifting, measuring, cutting, welding or number crunching. We also know that U.S. workers can't undercut the least common denominator in foreign labor standards.

And we definitely know that when labor saving technology is interfaced with cheap overseas labor, then our employers are going to give precious little thought to partiotism and national balance of trade deficits; and even less thought to social responsibility and loayal workers.

But, we're told, new opportunities will be found in a nice clean service sector and in high value-added, hi-tech industries. That's where we have the natural edge. That's where the job rainbow ends.

In the machinists union, we know better. In the first place, the U.S. machine tool industry has practically been eliminated. Japanese machine tool makers, using U.S. inventions and licensing and co-production agreements with U.S. firms, have copped the lion's share of the world machine tool market and over half of our own home market.

Employers in the machine tool industry, rather than to maintain their independence and national identity, have simply bought into Japanese companies, so that they get a piece of the action and profits, no matter where the goods are build and produced. Ditto much of the auto and communications equipment and electronic component industries. Hi-tech industries, each.

But, in the IAM, we're safe and secure.

We're into hi-tech stuff up to our eyeballs and that's going to stay right here in the USA. Especially all that military production. And that's really out there on the cutting edge and frontiers of technology.

Right?

Wrong!

The latest edition of the Department of Commerce's international trade publication, United States Trade: Performance in 1984 and Outlook, tells us that the following very hi-tech products suffered declining trade balances in 1984, compared to 1983:

The surplus for aircraft, engines and parts declined by 17.7 percent;

The surplus for professional and scientific instruments crashed 182 percent;

The surplus for office and automatic data processing machines skidded 19.4 percent;

The surplus for engines, turbines and parts plunged 38 percent;

The surplus for guided missiles, spacecraft and parts took a dive of 23 percent;

And the trade balance surplus for military ordnance and accessories slipped 16.3 percent.

In fact, in all those hi-tech, military and national security categories, the favorable balance of trade position was deteriorating as imports increased and exports decreased.

Our military industrial base is being exported, too. And that is a contradiction of the term, "national security."

These figures belie conventional wisdom, just as much of the free traders' rationale belies economic reality today.

Well, having uncovered all this material, exposing it, and editorializing upon it, what do we in the IAM propose to do about it?

First, of course, we urge you to review our comprehensive plan to rebuild America. It has gone through two printings and 20,000 copies circulated since labor day 1983. And that with no publisher's hyp or marketing strategy.

Secondly, we would urge that full employment advocates here in the U.S. make contact with like-minded people around the glode and particularly in West Europe.

There is a cadre of full employment economists and politicians beginning to emerge. Most are not rank protectionists or Luddites.

Third, whatever economic programs are developed and offered to the Congress and the public, we would urge that effort to be made in pursuit of four major objectives. These are: (1) the right of each individual to rewarding employment in a full employment economy; (2) an equitable distribution of wealth, income and political power derived therefrom; (3) industrial democracy in the workplace, with an absolute right of employees to form trade unions and bargain collectively over terms and conditions of employment, including the right to participate at the highest enterprise and national or international planning levels, in investment decisions and other desiderata which may impact upon their lives and livelihoods; (4) the pursuit of peace and prosperity for all, through economic conversion, as a complementary and priority goal of any full employment program.

Conversion planning takes on special importance, in view of recent studies completed by the center on budget and policy priorities, which indicate that 85 percent of the arms budget may be uncontrollable by 1989. And to thing all that militaristic Keynesianism isn't moving us toward full employment. quite the other way around.

Meantime, in the machinists union, there is no acceptable level of unemployment.

To us, full employment means zero unemployment, with one more job opportunity than there are workers to full it.

That's full employment, Mr. Chairman, and the time to put it on the political aganda is now. The "Big Lotto" isn't getting us there.

Thank you.

Mr. HAYES. I would like to call on my colleague—there is one thing we would request of the audience, and we can share your exuberance, but we wish you would not express it in that fashion when the witness has completed the testimony.

I really do not have a question, but I do have a couple of statements to make because your message is inspiring.

Now, first of all, let us take your message and use most of it as a platform for the Democratic platform next time we run someone for President.

Mr. WINPISSINGER. I would be honored.

Mr. HAYES. The thing is that you talk about fairness and equity. This administration we have has built this great perception of economic recovery on a certain perception of fairness and equity, which is totally false. It is kind of that smokescreen you talk about, inflation situation.

But, is it really fairness and equity when you take Boeing, which makes a $58 billion profit, and they get a refund of $287 million, tax refund? And, a young man in my district, who is a student trying to get an education, who has to work to put himself through school, makes $6,000, and when he—his deduction on that was $287. When he thought that would be enough, he finds out from the IRS that he now owes another $500 and some. That is not fairness and equity, and that is a general theme throughout this whole administration.

You know, the inflation factor you talk about, naturally, when unemployment is high—when employment is high, people got money to buy things, and, so, when people got money to buy things, people selling are going to try to get as much as they can. That creates inflation. So, it is not necessarily a bad thing, you know, as long as you have got money, you can barter. When you got no job and got no money, you cannot buy anything. Sure, inflation comes down, but what good does that do you?

If you do not have any money, if you do not have work, if you do not have money to buy anything, it does not matter what the inflation factor is. So, I think you are absolutely right. What came through very clear in your talk is that we have got to reprogram the thinking in Washington, and especially in the administration. We have got to take some of these concepts that are coming through from the studies that have been done and present them in Washington repeatedly, over and over again, because some people take longer to learn. Those in the White House right now, it takes a lot longer for them to learn.

But, I agree with everything you say. I really have no questions.

Mr. MARTINEZ. Let me just pause for a minute. Could I ask the indulgence of the people who are so anxious, I appreciate you are anxious for the—it is not going away. It is very distracting during the hearing to have you up here on the tier. If you will just sit down and wait for a few minutes, and when we—before the next panel comes, maybe you can get together, but it is not going away. We have an abundance of pride, hopefully.

Mr. WINPISSINGER. Thank you, sir.

May I append this comment to what you said, Congressman? That same Boeing Co. was, with their $58 billion of profit or $1 billion dollars, whatever it was, was the same company that forced upon our members a two-tier wage system, and thereby set off a ticking timebomb right in our own factory floor, when we build some of that sophisticated high-technology stuff.

I think they are coming to a realization that it is counterproductive the next time we negotiate, but along with that, the U.S. Air Force sat on the side of the company in bargaining, and said that the taxpayers were paying too many wages, did not matter how much was there, we are simply paying too high of wages and, therefore, the cost of the implements of destruction was too high. So, sit down on the workers and force them to take less and let the profits run amuck, and that characterizes social Darwinism in this administration from the first breath it ever uttered.

Mr. HAYES. Absolutely.

Congressman Conyers.

Mr. **Conyers**. Thank you, Mr. Chairman.

I am always pleased to hear Bill Winpissinger come forward. He is one of those leaders in American labor that has stayed with it, and is still giving us the kind of direction we need.

Now, since we are all in agreement, let us talk about how we get there. There are two parts of this bill. One is divining what the economic strategy ought to be. It is almost easier now to do because the smartheads have done everything all wrong for the last 30 years, so it does not really even take a lot of talent to figure out what to do if you just stop doing some of the things that have continued to work wrong.

Then, there is the other side of it; there is this huge, ironic situation in America where most of the people work for a living, and, yet, they are being run by a very small handful of people who do not work for a living, and, yet, for some reason, their policies work, their candidates win, their politicians control things, and somewhere along the line, we have got to learn that battle as well as formulate the right kind of economic policies that we ought to be following.

And, I would like you to put something in the record on that, if you would, please.

Mr. **Winpissinger**. Well, I do not view, Congressman, it as a hopeless situation, by any means. I do not disagree with your characterization of where we are. Clearly, far too high a percentage of unionized workers in the country voted against their best interests in the recently held Federal election.

But, there are a few notes for optimism here. We conducted exit polls for the entire labor movement, on the one hand, and for individual unions, on the other. And, of those union members who professed to be Democrats, who voted for President Reagan, 80 percent of them responded in the affirmative to questions like should Government do more or less to shore up the circumstances of the underprivileged or the deprived, and 80 percent of them said yes, the Government should do that.

On arms spending, 80 percent of them responded that we ought to stop it, freeze it, or back off from where we are. Eighty percent of them said Government should do more and not less to curb the power of the big corporations and the banks.

Now, I find, you know, that I guess when you are looking for straws, those are good to grab on to as any others. More recently, in one congressional district in the country, which has a very high IAM member component, and in a congressional district where defense spending is a focus of most of the economic activity, and without which they would be hard pressed for the immediate, responded by margins running from 65 up to 90 percent by saying we ought to cancel the MX. We ought to do away with first strike weapons. We ought to have at the very least a nuclear freeze and, hopefully, disarmament.

Fifty or sixty questions of that type, and the minimal margin of affirmation was 65 percent on the side of the equation where I think people who think like we do would be. And, I found that encouraging. I think that it augers well for something out there on the horizon, but what troubles me is the same kind of conflict that we are in right today on trade.

If recognition or the consummation of some remedy is too long delayed, things have a habit of getting very ugly, and you get an outburst of ugliness or you get an over-reaction where the problem might have been solveable with the application of lesser methods, if you had done it sooner.

There, we have the President shooting down the shoe industry the other day in the trade sweepstakes out of the misguided notion that there is such a thing as free trade anymore in this world and cannot even account for the fact that the domestically produced shoes are cheaper than the imported shoes, and the merchants push the imported shoes because they bring higher profit margins and you cannot find a domestically produced U.S. shoe at any one of these supplying nations, even though they would be competitively priced.

And, that kind of misunderstanding has now a rather substantial reservoir boiling up in the Congress, and I think now we have to be concerned that we do not get a congressional overreaction to that kind of intransigence.

So it is with future unemployment, it is going to increase. It cannot miss. If we stand the course we are on, it is absolutely going to continue to go up, and I do not care what this administration does, and if that is the case, you are going to see festering sores on the streets of the country, and it has the full potential to erupt in to something other than peaceful examination of the problem.

Now, that is the critical line that our democracy, I fear, has always had to walk. I simply look back over my own adult life and look at the major things that have happened and ask myself whether or not it was really necessary. It was no secret in the early 1930's that workers had monumental problems.

The Depression was strangling everyone. Unemployment was running amuck, poverty and ravage was everywhere, and it was not until there was an outbreak of violence, factories burned down, trucks tipped over, brutal strikes conducted, that the American people got a bellyfull of it and send Congress down to Washington in 1934 to pass the Wagner Act the following year, to establish industrial peace in the country.

And, I think probably World War II delayed the next logical installment, but some time after World War II, when things returned to normalcy, the huge consumer business was over and we got something more nearly normal, it was no secret that a large, large group of minority people in this country had nagging, grievous problems. They were everywhere. The evidence was everywhere, and everybody knew it, and it was not—nothing could be done, it seemed, until, finally, they decided to burn down the rotting guts of some of the holes in which they were shoved to live, and got the attention of this electorate.

In 1964, they elected a Congress and got them down there to pass The Civil Rights Act of 1964, The Voting Rights Act shortly thereafter, and began to get some restoration of order, and the generation of few privileges for that disadvantaged minority and the Vietnam war was just another example of the same kind of thing.

I do not know. I guess all of us who are the beneficiaries of the democracy maybe just do not spend enough time preaching, keeping the dialog alive and keeping the pressure on. You are called radical if you do, but radical I will be if I perceive that as the only way to get there, then let us be radical.

Mr. CONYERS. Well, you have a great sense of history, and I would like to discuss the role of labor in this continuing struggle, but I know our time is up.

Let me just tell you that there is one book, I will be looking forward to your book, I have heard a lot about it, but the one that I have got and I treasure the most is the one you put out called "101 Reasons to Vote Against Reagan". Do you remember that one?

Mr. WINPISSINGER. Actually, there are a lot more than that.

Mr. CONYERS. You had to stop somewhere, but I pull that slim volume down quite regularly and read through them, and it is amazing how the voters in this country can so easily vote against their selfinterests.

I think it is a serious problem. We laugh about it, but, you know, when you finally create a democratic form of government, it presumes that people will have the ability to reason in support of their own self-interests, if nothing else.

We have reached the point now with the media and the megabucks required to involve one's self in politics that we do not have people representing people anymore; we have people representing the corporate and the wealthy, and, so, you get a few people, and this is what I am thinking about in terms of how we are going to get this bill passed, that is why I say that Chairman Martinez can go down in history, if we all play this right.

You see, half of us sit around in Congress, and you know what we are concerned about? How we are going to raise the bread to get reelected and guess what? You know who has more bread than labor by about tenfold? The corporate guys.

So, you get everybody. Full employment is just like apartheid. Everybody is against apartheid, but nobody, very few people, want to advocate disinvestment. Everybody——

Mr. WINPISSINGER. I say we have.

Mr. CONYERS. Well, I know you have. Everybody is against unemployment, but nobody wants to affirmatively create the policies that will create full employment, and, so—of course, this is what legislative bodies are for, skillfull rhetoric.

We have heard it, and we have got to cut through it and get this show on the road.

Mr. WINPISSINGER. I would like to substitute for the skillfull rhetoric some artful doing and solve the problem.

Mr. CONYERS. Well, thank you very much.

Mr. WINPISSINGER. And, incidentally, I do not ignore, Congressmen, the absolutely essential role that institutional labor has in advancing this goal, and I am sure my brother Bill Lucy is here. He and many, many others like us will band together and try to pump the level of—I hate to call it rhetoric because we are serious about it, but at least to rivet attention and doing away with the problem.

Mr. HAYES. Thank you very much, Mr. Winpissinger.

My roots are deeply embedded in the trade union movement, too, as you well know. I am certainly glad to have had you here to appear before our committee and give the kind of testimony that you have given.

It has been said by my colleague, your position at the front of the leadership of the top party of labor in this country. It is very central to the support and the passage of this kind of legislation. You can readily realize that some reticence on the part, which is not unusual, on the part of some of the leaders of labor to support full employment legislation.

I do not quite understand it, but that is true. Some think it is a dream, not possible. I think it has to become a reality, and we are really sincere about doing something about people who need our help.

I want to thank you for your testimony, and I will be glad to work with you, with some of your colleagues and my colleagues in labor, to see if we can get them on board in support of this legislation.

Thank you very much.

Mr. **Winpissinger**. I would like to be with you, and I appreciate the opportunity.

And, may I say, Congressmen, that I would admonish our detractors to not too hastily write our obituary. There is a lot of life left in this old court.

Mr. **Hayes**. I tell you, I tell you.

Our next witness, if you will come forward, please, is Mr. Phil Hare, representing Congressman Lane Evans, from the western part of the State of Illinois, where unemployment has certainly been felt.

Mr. Hare, I want to advise you that the entire statement from the Congressman, whatever supplementary one that you may have, will remain a part of the record in this committee.

To the extent that you could curtail your remarks, it would be much appreciated, and we have some 15 witnesses that have to be heard. Some of them came from great distances to be here. So, if you can restrict your time as close to the 5 minute time as is possible, it would be helpful to us in trying to get through the whole list of witnesses.

Thank you.

STATEMENT OF PHILIP HARE, REPRESENTATIVE TO CONGRESSMAN LANE EVANS, STATE OF ILLINOIS, HOUSE OF REPRESENTATIVES

Mr. **Hare**. Thank you very much.

Mr. Chairman, members of the committee, my name is Philip Hare, and I am the assistant representative for Congressman Lane Evans. The Congressman was unable to be here today and asked if I would present testimony on his behalf, and at this time, I would like to read that into the record.

Let me just, before I get started, say that Bill Winpissinger is a very tough act to follow, and I had a 3-hour drive and a flat tire. So, this may not be my day.

I am pleased to submit this testimony in support of H.R. 1398, the Income and Jobs Action Act, of which I am a cosponsor. I commend my friend and colleague, Congressman Charlie Hayes, for his leadership in authoring and introducing this important and far-sighted legislation.

For approximately the past year, our national unemployment rate has hovered at about 7.3 percent. Incredibly, this high level of national joblessness has apparently become acceptable, if the lack of political immediate attention is any indication.

Not so long ago, 4 percent unemployment denoted a full employment economy. Now, however, we have an administration which quietly accepts an unemployment rate nearly double that level. Even worse, the official unemployment figures cannot even begin to describe the severity of joblessness among Americans.

Additionally, about 8.5 million of our fellow citizens are unemployed, but this fails to include 5 million part-time workers actively seeking full-time employment. It also excludes another 5 million discouraged workers who have given up an active job search.

In my 17th Congressional District in west central Illinois, official countywide unemployment levels remain around 10 percent or higher. In areas, such as the quad-cities, Peoria and Guilford, have been plagued with long-term layoffs in the farm and construction machinery manufacturing sector. Many of these workers have exhausted their unemployment benefits and are no longer counted among the officially unemployed.

I estimate the real unemployment rate in west central Illinois is at least double the official total in a range from 20 to 25 percent. To obtain a more accurate picture of the true joblessness in America, I have introduced the Truth of Unemployment Statistics Act of 1985. It will substitute total unemployment for the present insured unemployment rate.

I believe that this legislation goes hand-in-glove with 1398. If the true level of joblessness became known, Congress and the American people would be forced to confront and abate it.

We must remember that these are not just numbers we are talking about, these are real people. In many cases, they are Americans who worked hard for years, paid their taxes and served their country in time of war.

That our present Federal Government cares so little for these good citizens and their families is a national disgrace and an affront to our best history and tradition.

I, wholeheartedly, subscribe to the declaration of economic rights, the core of H.R. 1398, namely that every American has a right to earn a decent living and that those who want to work and are unable to do so, through no fault of their own, are entitled to an adequate income.

As a populist, I do not subscribe to the liberal views that our Federal Government owes anyone a living. I do insist, however, that our Government should offer every citizen the opportunity to earn a living, and I believe that most Americans support this view.

There is one other aspect of H.R. 1398 I would like to address, and that is, as it is called in section 5, for locally based overall planning. This plan is to be done in a manner designed to prevent a counterbalance, any undue concentration of Federal or corporate power.

We were recently witnesses to an unprecedented bidding war among desperate States and localities in pursuit of the new Saturn model plant. Tax and other economic incentives were heaped on the table in an attempt to lure the new plant and 6,000 jobs.

While beneficial to the giant corporations who hold the cards, this process represents a kind of de-evolution in State and local economic development efforts. Is this the style of job creation that we want to pursue?

The Federal Government is also guilty of playing one economic entity against another. I am currently fighting sending an application to the city of Chattanooga, TN, for a $900,000 urban development action grant to be divided in low-interest loans to Kamatsu, Ltd. of Japan. That highly successful corporation, which earned $90 million last year while increasing its American business 124 percent, will use the loan to develop an assembly plant.

Approval of this grant would mean that U.S. taxpayers would be directly subsidizing a foreign corporation whose domestic competitors, including Caterpillar Tractor and John Deere, receive no such subsidy. The 200 jobs created in assembling Japanese-manufactured components would probably cost many times the unemployment in places like Peoria and the quad-cities.

These job-creating efforts pit community against community, rather than working together to increase employment in our country. These policies result in economic Darwinism, which does nothing more than transfer employment from one part of the United States to another or even overseas.

Of course, cooperative planning embodied in H.R. 1398 could help end these destructive practices. It calls for inclusive rather than exclusive partnerships locally and nationally, incentives for larger corporations would be conditioned on their living up to well-defined standards of corporate responsibility.

Corporations would be asked to consider best interests of communities instead of communities sacrificing their best interests to corporations.

I believe that H.R. 1398 is the kind of bold and innovative measure that could put our Government back on the side of those who search for economic opportunity. It calls not for a handout, but a hand up. It is a restatement of our dedication to the concept that every American deserves a chance to reach his or her full potential.

I commend Congressman Hayes for his intelligent effort in support of this goal, and I am proud to be associated with it.

And, I would be happy to attempt to answer any questions that the subcommittee would have.

[Prepared statement of Hon. Lane Evans follows:]

Prepared Statement of Hon. Lane Evans, a Representative in Congress From the State of Illinois

I am pleased to submit this testimony in support of H.R. 1398, The Income and Jobs Action Act, of which I am a cosponsor. I commend my friend and colleague, Congressman Charlie Hayes, for his leadership in authoring and introducing this important and far-sighted legislation.

For approximately the past half-year, our national unemployment rate has hovered at about 7.3 percent. Incredibly, this high level of national joblessness has apparently become "acceptable," if the lack of political and media attention is any indication. Not so long ago, four percent unemployment denoted a "full employment" economy. Now, however, we have an Administration which quietly accepts an unemployment rate nearly double that level.

Even worse, the "official" unemployment figures do not even begin to describe the depth or severity of joblessness among Americans. "Officially," about 8.5 million of our fellow citizens are unemployed. But this fails to include about 5 million part-time workers actively seeking full-time employment. It also excludes another 5 million "discouraged" workers who have given up an active job search.

In my 17th Congressional District in West Central Illinois, "official" county-wide unemployment levels remain around ten percent or higher. Yet areas such as the Quad Cities, Peoria and Galesburg have been plagued with long-term layoffs in the farm and construction machinery manufacturing sector. Many of these workers have exhausted their unemployment benefits and are no longer counted among the officially unemployed. I estimate that the real unemployment rate in West Central Illinois is at last double the official total—in a range from 20 to 25 percent.

To obtain a more accurate picture of true joblessness in America, I have introduced the Truth in Unemployment Statistics Act of 1985. It would substitute "total unemployment" for the present "insured unemployment" rate. I believe that this legislation goes hand-in-glove with H.R. 1398; if the true level of joblessness became known, Congress and the American people would be forced to confront and abate it.

We must remember that these aren't just numbers we are talking about. These are real people—in many cases they are Americans who worked hard for years, paid their taxes, and served this country in time of war. That our present federal government cares so little for these good citizens and their families is a national disgrace and an effront to our best history and tradition.

I wholeheartedly subscribe to the declaration of economic rights at the core of H.R. 1398; namely, that every American has the right to earn a decent living, and that those who want to work but are uable to do so through no fault of their own are entitled to an adequate income. As a populist, I do not subscribe to the liberal view that our federal government owes anyone a living. I do insist, however, that our government should offer every citizen the opportunity to earn a living, and I believe that most Americans support this view.

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We were recently witness to an unprecedented bidding war among desperate states and localities in pursuit of the new Saturn auto plant. Tax and other economic concessions were heaped on the table in an attempt to lure the new plant and its 6,000 jobs. While beneficial to the giant corporations who hold the cards, this process represents a kind of de-evolution in state and local economic development efforts. Is this the style of job creation that we want to pursue?

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The cooperative planning embodied in H.R. 1398 could help end these destructive practices. It calls for inclusive rather than exclusive partnerships locally and nationally. Incentives for larger corporations would be conditioned on their living up to well-defiend standards of corporate responsibility. Corporations would be asked to consider the best interests of communities instead of communities sacrificing their best interests to corporations.

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Mr. HAYES. I do not have any questions. I just want to express my sincere appreciation for your coming here on behalf of my colleague, Lane Evans. I know he has supported, as his testimony certainly indicates, and I just want to address my appreciation to you personally for taking your time out.

Mr. HARE. My pleasure.

Mr. HAYES. Apparently, you had a flat tire. That kind of casualty happens to a lot of people.

Mr. HARE. No problem.

Mr. HAYES. So, we appreciate your coming.

Mr. HARE. Thank you.

Mr. HAYES. Chairman Martinez?

Mr. MARTINEZ. Just to add that your testimony includes another one of those instances that the administration professes to be following policies that are in the best interests of the workers of the United States, when he always professes to want to put America back to work.

Remember the slogan he campaigned under? "Put America Back To Work". Well, he has put America out of work, is what he has done. But, the same thing in my district, a town close to my district, Fremont, where the GM workers there took a reduction in wages, and the company made an extensive profit, and immediately invested that profit in the Japanese car company. Same thing all over again.

Mr. HAYES. Could be, Congressman.

Mr. CONYERS. I am glad that Congressman Evans sent you, and it is a little sensitive for us to mention the Saturn deal to a Detroit Congressman. You may remember that up until Thursday of the weekend that it leaked out that we were not going to get it, the word was that we were going to get it.

The Governor had given away damn-near half of every thing he could get his hands on to the GM negotiators. We figured that we may have actually saved money by not getting it. We had bargained ourselves so down far.

GM, in the meantime, had been secretly negotiating with all the other eligible areas that they had on their list, and, you know, they said one thing that was very interesting. They said all of our negotiations are very secret, but that we are dealing with each other.

Well, it turned out that they were merely like any other traveling salesman, say, well, Detroit has given us everything and a left arm, what are you willing to do, Tennessee. They said, well, we will give you two left arms, chief.

And, so, we have a multinational corporation going around from State to State telling everybody that you have got to get a better economic climate or we are not going to do business here. You know what that is doing? That is ripping off the collective bargaining movement in America because guess who is the first one they come to to get some concessions out of it.

Chrysler Corp. now is making a bundle. Guess who is carrying the load? The workers who gave away, who conceded their wage increases. And guess what President Iacocca does not want to do, now that Mark Stepp, UAW vice president asked them to okay, boys, you have turned the corner, the Federal Government bailed in and saved you, you sold some cars, everything is rolling along, they are saying, hey, let us let the Chrysler workers keep going along making several thousand dollars less a year than the same guys doing the same work in the other automobile companies.

And, so, you touched on a very sensitive point here in your testimony. Please tell Lane that I said that.

Mr. HARE. I will.

Mr. HAYES. I am glad he did.

Mr. HARE. One final thing, if I may, just to Congressman Conyers. I can talk about the chemical plant in Peoria which, at one time, had a local union membership of about 28,000 members, and a lot of people living in the southern part of the district, not just in the city of Peoria, Lane does not represent the city itself, that local union now is down to about 9500 employees and slipping.

Mr. CONYERS. Why?

Mr. HARE. There are some people that are out working full-time in the plant, and that union was more than willing to negotiate in good faith and their contract is coming up. So, they are put between a rock and a hard place on it, and our position is we just believe that the same case as Rock Island, when they shut the Farm-All tractor plant down and 3,000 jobs were lost there, that as—I was just speaking—a speech of Vice President Hubert Humphrey when he said that the American worker is the most productive worker in the world, and studies would show that, and, so, our firm belief is that we can manufacture that Cat in Peoria just as well as they can manufacture it in France, and the combine that has moved to France, that IH is building, some of those we can make just as well in the quad-city area also.

So, I again thank you very much for allowing me to be here today.

Mr. HAYES. Thanks again.

We have our next witnesses who are going to be divided in panels. We have three panels. Our first panel, I, is Mr. Benjamin Reyes from the Office of the Mayor of the City of Chicago. If you will come forward, please.

Dr. Leon H. Keyserling, former chairman of the Council of Economic Advisors, Truman administration. Mr. Sam Rosenberg, associate professor, Department of Economics, Roosevelt University. Mr. Joel Yudken, director, Center for Economic Conversion. Mr. Greg LeRoy, research director, Mid-West Center for Labor Research. That is panel I.

Each of you will, I will repeat, you might have already heard, if you have given us written copies of your testimony, your entire testimony will appear in the record. If you so choose to do, you may deal with the highlights of your testimony. If you will confine your remarks to as close to 5 minutes as possible, and we will have the completion of the entire panel and then ask questions.

Mr. Reyes.

STATEMENT OF BENJAMIN REYES, OFFICE OF THE MAYOR, CITY OF CHICAGO

Mr. REYES. Good morning, Mr. Chairman, honorable members of the Subcommittee on Employment Opportunities.

On behalf of Mayor Washington, I want to thank you for the opportunity to express our concern and comments and reactions to the proposed legislation, House bill 1398, for the Income and Jobs Action Act of 1985.

Ladies and gentlemen, this is a vital piece of legislation. America desperately needs a clear national full employment policy. We support the fundamental human rights to an adequate standard of living and the right of all people to earn a decent living wage.

As of August 1 of this year, the unemployment rate in the city of Chicago hovered just above 10 percent. The effects of this enormous joblessness in our city are devastating to our communities and crippling to the human spirit, the vital energy on which a city like Chicago grows and moves forward.

Chicago, like other mature American cities, has been caught in the center of monumental transition in America's economy. The industrial base, which built Chicago into a world manufacturing center, has been steadily evaporating since the end of the Second World War. The impact of this deterioration has been felt most severely in the neighborhoods and communities which have made the city a gracious port of entry for newly arriving Americans and a wonderful home for all.

Because it is the city's communities where families grow, where 1,000 different goods and services are bought and sold, where commercial shopping strip can thrive and where community institutions create the necessary conditions for a stable living environment, and it is the communities where the vacant buildings and once thriving commercial centers turn in to boarded up storefronts, by not having the kind of employment that is necessary to maintain the communities.

In Chicago, during the past 2 years, we have taken a number of steps to stem the disinvestment tide and create a variety of vehicles for attracting capital into our communities.

Our principal tool for rebuilding the city is a close working relationship with the corporations, large and small, and the communities themselves. Represented by their own organizations.

This Chicago partnership has its hands on the pulse and its feet squarely planted in the future of this city. We are building shopping centers at three southside communities where there has not been any investment in those areas for decades. We are using $5 million in urban development action grants to leverage $27 million in total investment.

The projects will mean several hundred new jobs and the replacement of blight and light in those communities. On the city's west side, with the Mid-West Community Council, a 39-year-old community organization at this point, we have brought several interests together into a $25 million investment package.

Rush Presbyterian, St. Luke's Hospital, Malcolm X College, Chicago Housing Authority, Illinois Bell Telephone, Fannie May Candies, have joined a local developer, area employers, and the city in a total revitalization effort in a 30-square-block area of one of the Nation's poorest communities.

Five million dollars in public support to the Albany Park community on the northwest side have seeded more than $20 million in community investment for a total renewal of the Lawrence Avenue area there.

The examples abound from one end of this city to the other. They evidence the spirit and willingness of city government to work creatively and closely with the private community to stimulate development and generate jobs.

House bill 1398 would affirm and strengthen the beliefs underlying our positive experiences in Chicago. There is a deep and earnest desire within each of us to be productive and self-sufficient, to provide for our own families, and to help build our communities.

America's industrial cities are still the reservoirs of extraordinary productive ability. It is an abilty based in the lives and goals of generations of honest, diligent, hard-working people.

This is an invaluable human resource that must be preserved at all cost. The city of Chicago is firmly committted to those types of legislation that seek to bring the awesome wealth of this Nation to satisfy human needs and unleash the human potential of America's cities.

As the proposed bill provides, converting even only 1 percent of this Nation's burdensome military budget could deliver tens of thousands of new job opportunities as we move to leverage public funds to private investment dollars at ratios of 5, 6, 7, and 8 to 1.

What is needed is a variety of creative answers and solutions to the cities' pressing problems, like locally based planning councils, which the bill provides, which includes organizations and institutions not traditionally acting as planning bodies. What is also needed are flexible Federal guidelines which allow Federal dollars to be creatively used as investment dollars rather than simply consumption dollars.

In the last 2 years, Chicago's job training and placement efforts have been successful on a number of levels. With the few dollars that we are allotted for those programs, thousands of families and individuals have become self-sufficient units contributing daily to the growth of this city and its communities.

But, job training is not, by any means, the only answer. It is only a tool, a means to an end. The ultimate goal of job training is employment, stable employment for all Americans.

House bill 1398 would help greatly to create a national employment climate for the rejuvenation of America's central cities. It is a vitally important piece of legislation. We support it. We know we can make it work. We know that we can attract capital back into the communities when we commit a portion of the Nation's resources to make the adequate investment in Chicago's future.

Thank you.

[Prepared statement of Benjamin Reyes follows:]

PREPARED STATEMENT OF BENJAMIN REYES, ADMINISTRATIVE ASSISTANT TO MAYOR, CITY OF CHICAGO

Mr. Chairman, honorable members of the subcommittee on employment opportunities, on behalf of Mayor Washington I want to thank you for the opportunity to express our comments and reactions to the proposed legislation, H.R. 1398 or the income and Jobs Action Act of 1985.

Ladies and gentlemen, this is a vital piece of legislation. America desperately needs a clear national full employment policy. We support the fundamental human right to an adequate standard of living and the right of all people to earn a decent living wage.

As of August 1st of this year, the unemployment rate in the city of Chicago hovered just above 10 percent. The effects of this enormous joblessness in our city are devastating to our communities and crippling to the human spirit, the vital energy on which a city like Chicago grows and moves forward.

Chicago, like other mature American cities has been caught in the center of monumental transitions in America's economy. The industrial base which built Chicago into a world manufacturing center, has been steadily evaporating since the end of the Second World War. The impact of this deterioration is felt most severely in the neighborhoods and communities which have made this city a gracious port of entry for newly arriving Americans and a wonderful home for all.

Because it is in the city's communities, where families grow, where one thousand diffferent goods and services are bought and sold, where commercial shopping strips can thrive and where community institutions create the necessary conditions for a stable living environment. And it is in the communities where the lack of flowing money turns unpaid utility bills into rows of vacant buildings and once thriving commercial centers into boarded-up storefronts.

In Chicago, during the past two years, we have taken a number of steps to stem the disinvestment tide and create a variety of vehicles for attracting capital into our communities.

Our principal tool for rebuilding the city is a close working relationship with the corporations, large and small, and the communities themselves, represented by their own organizations. This Chicago partnership has its hands on the pulse, and its feet squarely planted, in the future of this city.

We're building shopping centers in three Southside communities. There has not been any investment in those areas for decades. We're using five million dollars in urban development action grants to leverage 27 million in total investment. The projects will mean several hundred new jobs and the replacement of blight with light in those communities.

On the city's West Side, with the Midwest Community Council, a thirty-nine year old community organization at this point, we've brought several interests together into a 25 million dollar investment package. Rush-Presbyterian St. Luke's Hospital, Malcolm X College, the Chicago Housing Authority, Illinois Bell Telephone, Fannie Mae Candies have joined a local developer, area employers, and the city in a total revitalization effort in a thirty square block area of one of the nation's poorest communities.

Five million dollars, in public support, to the Albany Park community on the Northwest side, have seeded more than 20 million dollars in community investment for a total renewal of the Lawrence Avenue area there.

The examples abound from one end of this city to the other. They evidence the spirit and willingness of city government to work creatively and closely with the private community to stimulate development and generate jobs.

House bill 1398 would affirm and strengthen the beliefs underlying our positive experience in Chicago. There is a deep and earnest desire within each of us to be productive and self sufficient, to provide for our own families, to help build our communities.

America's industrial cities are still the reservoirs of extraordinary productive ability. It is an ability based in the lives and goals of generations of honest, diligent, hard working people.

This is an invaluable human resource that must be preserved at all cost. The city of Chicago is firmly committed to those types of legislation that seek to bring the awesome wealth of this Nation to satisfy human needs and unleash the human potential of America's cities.

As the proposed bill provides, converting even only one percent of this Nation's burdensome military budget could deliver tens of thousands of new job opportunities as we move to leverage public funds to private investment dollars at ratios of five, six, seven, and eight to one.

What is needed is a variety of creative answers and solutions to the cities' pressing problems: Like locally based planning councils, which the bill provides, which includes organizations and institutions not traditionally acting as planning bodies. What is also needed are flexible Federal guidelines which allow Federal dollars to be creatively used as investment dollars rather than simply consumption dollars.

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But jobs training is not, by any means, the only answer. It is only a tool, a means, to an end. The ultimate goal of job training is employment, stable employment for all Americans.

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Mr. HAYES. Thank you very much.

I see a colleague from the Senate, a former Member of the House of Representatives, and a former member of the Education and Labor Committee, has just entered the room. I know he is operating under some severe time constraints. So, I would like to interrupt the panel to maybe give an opportunity to hear from Senator Paul Simon at this time.

STATEMENT OF HON. PAUL SIMON, A U.S. SENATOR FROM THE STATE OF ILLINOIS

Mr. SIMON. Thank you, Mr. Chairman.

I may be taking Leon Keyserling's seat here, but I cannot fill his shoes. I will tell you that. As you know, Leon Keyserling was the person who advised Harry Truman on how to keep this country going in the right way in the late 1940's and early 1950's, and he did a superb job.

First of all, to my former colleague on the Education and Labor Committee, who is chairing this hearing, I want to thank you for coming to Chicago, and I also want to comend my colleagues, Charlie Hayes and John Conyers, for their leadership on the full employments issue.

I have not examined your bill in detail, but let me tell you, it is headed in the right direction. I introduced in the 98th Congress, along with Congressman Hawkins—back when I was in the House—a bill that moved in basically the same direction, to guarantee all Americans the opportunity for a job.

The next great step forward we are going to take as a country is to guarantee that opportunity for jobs to all Americans, and when we do, we are going to be a richer, better, finer country in every way.

And, the question is not whether we are going to do it, the question is when we are going to do it, and how soon we are going to have the vision and the compassion and the understanding to move in that direction. And I just believe—when we do that, you will see crime rates drop. You are going to see improvement in our economy in every way.

The latest figures for the State of Illinois are 8.8 percent unemployment, 8.7 percent in Metropolitan Chicago. In 1979, we had 5.5 percent unemployment.

Unemployment, I think we have to recognize, is a permanent phenomenon in our society today. We are still living under the myth that just around the corner, the private sector is going to provide enough jobs. I would love to see that.

I used to be in business. I am a believer in the free enterprise system, but it is not going to happen, and we have to create positive, constructive alternatives available. I simply want to take a few minutes to say I applaud what you are doing and if I can help over in that other body, I want to do so.

I would be happy to answer any questions you may have.

Mr. MARTINEZ. I usually, when people ask how did I rise so rapidly to subcommittee chair, I say well, Paul Simon ran for the Senate. But a few other people have moved out, too. Bob Sacke, who you knew very well.

But, let me say that on the statements you have just made that they just reaffirm in my mind what the concept of the Constitution was, that we were going to be a society of all the people, and this society would belong to all the people, and it cannot unless all the people are a part of it by working in it, and I think that when we realize that it is through gainful employment that we are able to provide the education for our children and that without that, people are not going to become a part of the society, that we need to work very desperately to make sure that every one has that opportunity, a part of this society, and I think that is what you are saying. I think that is what the Constitution said, and I think that is what we have go to work for in Congress.

Mr. SIMON. I could not agree with you more.

Mr. HAYES. Congressman Conyers.

Mr. CONYERS. Thank you.

I am happy that the Senator demonstrated how important this really is to him by coming here today. There are a number of things he could be doing that are important, without any doubt, but I think it is an indication of his commitment that he has demonstrated ever since I have known him, going back to the days when he was a Lieutenant Governor of this State, and I was trying to remember which committees you were chairing because you were so active in education and labor that when we were trying to get the education acts through, there were times there when we were trying to get civil rights through, there were times there when we were trying to get Humphrey-Hawkins through, and all the other jobs sustaining measures in the face of the Reagan onslaught, Simon was always there.

So, I am pleased but not surprised that you are here today to help launch that off.

Now, in that context, Senator Simon, in a way, your job is far more difficult than it used to be. In the House, tough, yes. In the Senate, it—well, you tell us.

What we want to know is that if the new chairman of this committee, subcommittee, gets this thing rolling, how should we address and what are our prospects and what do you see in the globe in terms of what you call that other body in which you work?

Mr. SIMON. Yes, sir. First of all, let me correct your memory just slightly on what happened over in the House, when you say Simon is in the vanguard. I was following a fellow named John Conyers, and I was following his leadership, and that is what I am doing here today, too.

Right now, prospects are not great that we can get something through, but if we do not make the fight, you are never going to get anything through. There are a lot of things that—a lot of battles you do not win right away, a lot of battles even I have been involved in, and we did not win right away.

If we were to get it through the House and the Senate today, you know what the President would do with it. So, this is one of these things where we have to educate our colleagues, we have to educate the public, we have to turn things around.

I just was over on a trip to a couple of countries in Africa, and then went up to the Soviet Union briefly, to talk to the Soviet leaders about human rights, violations, where we have every justification for criticizing them, where they ought to change, but one of the things they come back to us on is how come you have all that unemployment.

Under the Communist regimes of the Soviet Union and China, they do not have unemployment. Can a free system provide employment opportunities for every one? Absolutely, if we are creative.

We do not need to adopt their system in order guarantee job opportunities to all Americans, but we ought to recognize the deficiency in our own system which permits 8.8 percent of its people to be without work. Those statistics that we read, 8.8 percent unemployment, those are not just statistics; that is agony for a lot of people, and it is an agony that is needless.

We ought to take the liability of unemployment in this country and turn it into a national asset. We are going to be a much better country the day we do it.

Mr. CONYERS. I have the impression and maybe my boundless optimism ought to be curbed here, that this Reagan mystique is rapidly diminishing. The signs that come to my attention are these, and I do not know if that is occurring in the other body, that he is like a lameduck to many of his own party members, and so they are not following some of the senseless leadership directions that he was pointing at before.

I have noticed a distinct set of arguments that have been creeping up between so-called Republicans and conservatives about how they are going to proceed. Many of them are no longer willing to go over the cliff with their President since he does not go over the cliff anymore.

The latest instance was when he tried to get them to wipe out the COLA in the Federal employees. Another time he tried to get them to go on record curbing social security requirements.

Are any such rays of sunshine penetrating the U.S. Senate?

Mr. SIMON. There are rays of sunshine in the U.S. Senate, too, yes.

Mr. HAYES. Thank you very much, Senator.

It seems to me in both Houses of Congress, which is what this bill attempts to do, could be the result of it if passed.

There is much talk on the Hill, as you well know in the Senate and the House. Everybody is budget conscious. Want to reduce the deficit. One of the best ways for the Government to reduce its huge $200 billion deficit is to have people paying income taxes to increase the Government's income.

This bill will put people to work through Government actions, and this thereby then reduces the dependency on many of the support programs that the Government now finances and at the same time, reduces the deficit by increasing the income to the Government.

It seems to me that this would not be hard for people to understand, but if we can work in this direction, if they are really interested in reducing the deficit, the debt of the Government, let us put some people to work and that is what H.R. 1398 purports to do.

Thank you, sir.

Mr. SIMON. I could not agree with you more.

Thank you very, very much. Thanks for your leadership, the three of you, in the House.

Mr. HAYES. All right. Now, back, I want to express my appreciation to members of the panel for having relinguished their time to permit the Senator to give his testimony.

I would like to call on the second member of our panel, Mr. Sam Rosenberg.

STATEMENT OF SAM ROSENBERG, ASSOCIATE PROFESSOR, DEPARTMENT OF ENGINEERING, ROOSEVELT UNIVERSITY

Mr. ROSENBERG. Chairman Martinez and members of the subcommittee, I am very pleased to be here today to discuss with you my views on your legislation.

I fully support your legislation and hope my comments are seen as supportive.

Large scale unemployment is an economic and social problem of major proportions. During President Reagan's first term in office, the level of unemployment reached heights not experienced since the Great Depression.

For 1982 as a whole, the unemployment rate was 9.5 percent. It remained at that level in 1983. Yet, the officially measured unemployment rate shows only part of the story. In 1982, while it was only 9.5 percent, close to one-quarter of the American labor force experienced some form of unemployment in that year.

Also, by the middle of 1983, long-term unemployment reached record heights. By that time, the median length of unemployment was 12 weeks, and about one in four of the unemployed had been looking for work for more than half a year.

Unemployment was not evenly distributed throughout the population. Blacks and Hispanics suffered more than whites, and close to one out of every two black teenagers looking for a job could not find one.

The unskilled and semiskilled were more likely to be unemployed than were the skilled. The unemployment rate in 1982, for laborers, was 18 percent and for operative, semiskilled workers, 16 percent.

The data for the early 1980's are bleak. The realities are bleaker because official Government statistics understate the problem. Those not looking for work are not counted as unemployed, and those working 1 hour per week are considered employed.

The issue is superficially brighter today, but beneath the surface, there are serious problems. True, there is less unemployment today, now, than there was in the early 1980's. True, conditions have improved somewhat for whites, blacks and Hispanics. But, after more than a year of economic growth, an economic miracle according to President Reagan and the media, but really nothing more than normally sanctioned, the unemployment rate remains above 7 percent, higher than during the Carter administration.

High levels of unemployment are a permanent part of our country's economic landscape. The Reagan administration's approach to unemployment is to create it and then ignore it. While the entire unemployment problem cannot be laid at the doorstep of the Reagan administration, a large part of the increased unemployment in the 1980's can. The net result of their policies to fight inflation.

The cost of unemployment has been discussed by previous speakers. I will not belabor them. I realize I have a time constraint. But, I consider unemployment to be a very serious problem.

Unfortunately, the Reagan administration does not seem to agree. It seems to believe that unemployment is largely voluntary, and that many of the unemployed choose not to accept employment at the going wage. It argues that an unemployment rate somewhat above 6 percent represents full employment.

So, from their perspective, we are very close to full employment. The Reagan administration does not have an adequate job creation strategy nor does it feel that one is necessary.

Given the attitude and actions of the Reagan administration, and, unfortunately, the Carter administration before it, full employment legislation supplementing the Humphrey-Hawkins Act, needs to be enacted. Legislation alone cannot guarantee that full employment will be attained or maintained, but discussing mobilizing around and eventually passing a new piece of legislation would place the notion of full employment back on the political agenda.

Representative Hayes' bill is an extremely important piece of legislation. I believe it is a good start on the road to full employment, but I believe it needs to be revised and strengthened.

I will begin with the goal of the bill, that is that every adult American able and willing to work has the right to a job at decent wages. I initially thought this was quite straightforward. I later realized that it was not, and the reason being is that in Representative Hayes' testimony accompanying the bill, he states that this goal is fully consistent with the Humphrey-Hawkins bill of 4 percent unemployment after 5 years.

That is not full employment. Four percent unemployment is not close to full employment. During the late 1960's, the unemployment rate fell below 4 percent, but many of the economic disadvantaged did not have work. For example, in 1969, the overall unemployment rate was 3.5 percent, but the rate for blacks was 6.4 percent. That is not a fully employed black community.

More generally, as long as unemployment exceeds 3 percent, there are more people looking for work than there are job vacancies, and even when the overall number of job vacancies equals the overall number of jobseekers, many people still have problems finding a job.

An unemployment rate of 2 percent would likely be necessary to guarantee every American, adult or youth, the right to a job, and notice I have broadened the relevant population to include youths. Unfortunately, the bill, as currently written, does not have anything to say, as I read it, about youth unemployment, and that is a very serious problem.

A job at decent wages is to be provided for every one able and willing to work. Decent wages are not defined. I assume they refer to a level of wages which would provide a person working full-time full year a level of income equivalent to a moderate standard of living as defined by the Bureau of Labor Statistics for that was to be provided for those without work.

There are various ways to reach this goal. One way is to raise the minimum wage, but that is not discussed in the bill. So, I think we have to think seriously as to what is the guarantee that decent wages will be paid.

Assuming that decent wages are to be paid, many employers previously paying lower wages will have to decide whether to remain in business. Formerly low wage, low productivity operations will have to be transformed into higher productivity ones to remain profitable.

This transformation can occur through increased efficiency and the use of labor and capital and increased investments in new plants and equipments. To the extent that this occurs, the high wage policy will have additional positive effects.

But, the other possibilities are likely, and these include an investment strike, increased bankruptcies and capital flights abroad, and these issues must be dealt with and seriously thought about because a significant capital flight or substantial capital flight will make it impossible to achieve full employment along the lines of H.R. 1398. Additional measures that need to be considered are limiting the freedom of owner capital and expanding the role of the Government in the economy.

These would not include providing workers with some control over the investment decisions of their firms, public ownership of some facilities to guarantee necessary production, and greater governmental planning of economic activity.

The bill has a vision of where the economy should be headed. It lists several high priority projects which should be immediately undertaken to place the economy on the path to full employment.

I support all these projects. I think they are great, but I do not think that they will be adequate for the task at hand. I believe that appropriate macroeconomic policies to stimulate the demand for business services are essential for generating full employment.

While the bill provides a role for monetary policy, it has no role for fiscal policy and, unfortunately, it maintains the vision that federal budget deficits are necessarily bad.

Thus, I think that we must rethink the role of natural policy in this bill, and I would like to argue that both expansionary monetary and expansionary fiscal policy, even if it means increasing the deficit, can serve to increase investments and consumption spending and generate increased employment.

Today, the problem is not that the budget deficit is too large. I realize this may sound flaky, but the fact is it is not large enough to generate high levels of employment.

The conventional cliche is that these deficits are absorbed from savings and, thus, squeezing out productive investment that would otherwise be occurring. This is absolutely untrue.

The Reagan administration and others are using the budget deficit issue as a veil to cover their true motivation, that being to dismantle the minimal welfare state, which has developed in the United States since the New Deal of the thirties.

As such, the budget deficits, while not a problem for the economy, has become a political problem and rather than repeating the conservative dogma, I think H.R. 1398 should provide room for expansionary fiscal policy and be unconcerned about lowering the federal deficit.

The rest of my testimony is available. I would just like to conclude that I strongly support your efforts around H.R. 1398. I hope that a revised version of the bill is passed and signed into law. It is the least that can be done for the unemployed.

[Prepared statement of Sam Rosenberg follows:]

PREPARED STATEMENT OF SAM ROSENBERG, ASSOCIATE PROFESSOR, DEPARTMENT OF ECONOMICS, ROOSEVELT UNIVERSITY

Large-scale unemployment is an economic and social problem of major proportion. During President Reagan's first term, the level of unemployment reached heights not experienced since the Great Depression. The 1981-83 recession bottomed out toward the end of 1982. In December of that year, the official unemployment rate was 10.7%. For 1982 as a whole, it was 9.5%. The unemployment rate remained at this level during 1983.

The officially measured aggregate unemployment rate tells only part of the story. In 1982, while the average rate of unemployment was 9.5%, 22% of those in the labor force for all or part of the year encountered some unemployment. Also, long-term unemployment reached record levels in the early 1980s. By the middle of 1983, the median duration of unemployment was almost twelve weeks and about one in four of the unemployed had been looking for work for more than half a year.

The unemployment was not evenly distributed throughout the population. Blacks and Hispanics were more likely to be unemployed than were whites. In 1982, black unemployment was 17.3%, or slightly more than double the white rate of 8.6%. The Hispanic rate was 13.8%, or 1.6 times that for whites. And among teenagers, the rates were 48.0% for blacks, 29.9% for Hispanics and 20.4% for whites. On average, one out of every two black teenagers looking for a job could not find one.

The unskilled and semi-skilled were more likely to be unemployed than the skilled. In 1982, nonfarm laborers had an unemployment rate of 18.5% and the rate for operatives was 16.2%.

The data for the early 1980s are bleak; the reality is bleaker. The official figures understate the extent of unemployment and underemployment. The government does not consider as unemployed those who have ceased looking for work, even if they have done so because they believe none is available. It considers as employed anyone who has worked one hour as a paid employee or in their own business. Even if a person desired a full-time position but could only find a job for one hour per week, that person is officially employed. During the 1981-82 recession, as substantial number of people gave up searching for work or were forced to work part-time involuntarily.

The picture is superficially brighter today but a look beneath the surface reveals that serious problems remain, with grave implications for the future. True, there is less unemployment now than in the early 1980s, and conditions have improved for whites, blacks and Hispanics. But after more than a year of economic growth, described by many media pundits and members of the Reagan Administration as an "economic miracle" while in reality little more than a normal upturn after a recession, the unemployment rate still remain above 7%. That, by the way, is higher than the average unemployment rate during any year of the Carter Administration. And the economic expansion is petering out now.

High levels of unemployment appear to be a permanent feature of our country's economic landscape. Since the late 1960s, the unemployment rates occurring at the peak of an economic expansion have been moving steadily upward.

Also, while the unemployment rates of whites, blacks and Hispanics have dropped below their levels of the early 1980s, they have fallen faster for whites. Today, black unemployment is 2.3 times the white rate and the Hispanic rate is 1.75 times that for whites. Permanent problems remain for the economically disadvantaged.

The Reagan Administration's approach to unemployment is to create it, then ignore it. While the entire unemployment problem cannot be attributed to the policies of the Reagan Administration, a large part of the increase in unemployment in the 1980s can. It is a direct result of macroeconomic policies designed to fight inflation. And herein lies one positive effect of large-scale unemployment on our country's economic situation. A decline in the rate of inflation often accompanies large-scale unemployment. Businesses find their costs of production, especially labor costs, increasing at a slower rate or perhaps even decreasing. In addition, the lowered income available for personal consumption causes a fall in demand. Thus, businesses feel less of a need to continue raising prices at the same rate and are also less able to do so. The rate of inflation fell from 13.5% in 1980 to 3.2% in 1983.

Yet large-scale unemployment has some extremely negative effects on our economy and society. In my view these costs far outweigh the benefits of a fall in the rate of inflation. (And there are other more humane ways to fight inflation, rather than the conscious creation of unemployment.) Economically, it represents a waste of human resources. As it occurs along with extensive unused capacity, it is a waste of material resources. Goods and services needed by members of society are not being produced. In addition, given this idle capacity, businesses have less of an incentive to invest in new plant and equipment, slowing the rate of growth of the capital stock and the introduction of the latest technologies. The rate of growth of future output will be less than would otherwise have been the case.

The Standards of living of the jobless and of many of the employed decline. Though the unemployed may receive unemployment insurance and public assistance, they still are not able to maintain their former living standards. Many with jobs have shortened hours of work and receive lower weekly pay. Others see their hourly wages and fringe benefits decline as employers, taking advantage of the excess supply of labor, demand and receive concessions from their workers.

With large-scale unemployment, the jobless are unlikely to find positions equivalent to those they lost. The U.S. Department of Labor studied displaced workers-those who had worked at least three years on their job before losing it due to plant closings or employment cutbacks-from January 1979 to January 1984. Of the 5.1 million displaced workers, only 3.1 million had become reemployed by January 1984. Of the rest, 1.3 million were looking for work and 700,000 had ceased looking for work and left the labor force. All told, less than 25% of the 5.1 million were holding positions paying equal to or more than the ones they had lost.

The unemployed experience much pain and suffering. The increased stress causes people to be more vulnerable to illness. Yet, at the same time as they need health care the most, many unemployed Americans lose their health insurance, and thus defer getting that care. Health insurance is often provided in group health plans offered by employers. During the early 1980s, more than 16 million Americans lost health insurance coverage as a result of unemployment.

Many of the unemployed lose a sense of their self-worth and some families of unemployed workers are torn apart by the stress connected with unemployment. There is an association between high unemployment and higher death rates from such diseases as cirrhosis of the liver (alcohol related) and heart and kidney disease (stress related), and the increased incidence of child-abuse, hypertension and mental illness. In addition, an increase in unemployment tends to be followed by an increase in suicides.

There seems to be a correlation between increased unemployment and increased crime. It has been shown that the prison population increases as unemployment rises since judges are more likely to sentence those convicted to jail terms if they are unemployed.

In short, large-scale unemployment poses a very serious problem for our society. Unfortunately, the Reagan Administration does not seem to agree. It seems to believe that unemployment is largely voluntary, and that many of the unemployed choose not to accept employment at the going wage. It argues that an unemployment rate somewhat above 6% represents full employment. The Reagan Administration does not have an adequate job creation strategy, nor does it feel one is necessary.

Given the attitude and actions of the Reagan Administration, and the Carter Administration before it, full employment legislation supplementing the Full Employment and Balanced Growth Act of 1978 needs to be enacted by the Congress. Legislation, alone, cannot guarantee that full employment will be attained and maintained. Our recent experience with the Hawkins-Humphrey bill confirms this. But discussing, mobilizing around and eventually passing a new piece of legislation would place the notion of full employment back into political discourse and return it to the forefront of the national policy agenda.

Representative Hayes' H.R. 1398—Income and Jobs Action Act of 1985—is an extremely important piece of legislation. I believe it is a good start on the road to a full employment bill. But I feel it needs to be revised and strengthened.

I start from the premise that it is desirable to have full employment and that it can only be reached through conscious governmental planning of economic activity. The experience of countries such as Japan, West Germany and Sweden in the 1960s and through the middle of the 1970s demonstrates that full employment is feasible. Their annual unemployment rates rarely exceeded 2%. But current conditions in West Germany, for example, show that it is not always possible to maintain full employment. For more than two years, the West German unemployment rate has exceeded 7%.

My comments will cover H.R. 1398, Representative Hayes' statements in presenting the bill to Congress and a series of questions and answers on the legislation issued by Representative Hayes. A main goal of H.R. 1398 is that every adult American able and willing to work has the right to a job (either part- or full-time depending on one's preferences) at decent wages. I initially thought this was quite straightforward; I later realized it was not. Representative Hayes states that this goal is full consistent with the Hawkins-Humphrey bill's interim goal of a 4% unemployment rate within 5 years. In fact, it is not unless the time span for achieving it is well beyond 5 years. An unemployment rate of 4% is not full employment; it is not even close to full employment.

During the late 1960's, the unemployment rate fell below 4% but many of the economically disadvantaged failed to find work. For example, in 1969, the overall unemployment rate was 3.5% while the rate for blacks was 6.4%. Surely that would not represent a fully-employed black community.

More generally, as long as the unemployment rate is over 3%, the number of job seekers will likely exceed the number of job vacancies. And even when the overall number of job vacancies equals the overall number of job seekers, many people may still have difficulty finding employment for a variety of reasons including discrimination, inappropriate skills, lack of information, residing in an economically depressed region, etc.

An unemployment rate of no more than 2% would likely be necessary to guarantee every American, adult or youth, the right to a job. Notice that I have broadened the relevant population to include youth. As currently written, the bill seems to ignore the youth. Yet youth unemployment is an extremely serious matter. While the opportunities available to youth will improve in a more fully-employed economy, I still feel that any jobs bill must explicitly treat the problem of youth unemployment.

A job at decent wages is to be provided for everyone able and willing to work. "Decent wages" are not defined. I assume it refers to a range of hourly wages, which if earned on a full-time, full-year job would provide a level of income equivalent to a moderate standard of living as defined by the Bureau of Labor Statistics. This would be equivalent to the amount of income to be provided those adults who are able and willing to work but cannot find a job. The bill is vague, perhaps purposefully, on the mechanisms designed to guarantee that decent wages are being paid. One simple way to do so would be to legislate a substantial increase in the federal minimum wage and expand enforcement of the minimum wage regulations. Apparently the framers of this legislation do not wish to take this path to decent wages since increasing the minimum wage is not mentioned.

I would like to lay out two possible roads to decent wages for everyone based on the components of H.R. 1398. One would be to develop a substantial public works program and pay decent wages for these jobs. The bill suggests making these jobs available only to the unemployed. I assume this does not include people who quit their jobs after this program is developed for the sole purpose of gaining a public works position. But if there are many public works slots and they are open to both the employed and unemployed, private-sector employers will have to raise their wages to at least the level of wages-decent wages-being paid on these positions in order to retain their workers.

Another path to decent wages would be through the provision guaranteeing to those without work whatever level of income is needed to maintain a moderate standard of living. Allowing the employed earning less than decent wages to quit and receive such transfer payments would force wages up. If the employed did not have this right and if their wages were less than the level of income being guaranteed to those without work, serious tensions would develop.

In a more fully-employed economy, wages would increase as employers would be forced to compete more strongly for labor. Yet, there is no guarantee that they would rise to decent levels. Other than the possible scenarios which I have described, I cannot see how H.R. 1398 would guarantee jobs at decent wages.

Assuming that decent wages are to be paid, many employers previously paying lower wages will have to decide whether to remain in business. Formerly low-wage, low productivity operations will have to be transformed into high productivity ones to remain profitable. This transformation can occur through increased efficiency in the use of labor and capital and increased investment in new plant and equipment. To the extent that this occurs, the high wage policy will have additional positive effects.

Yet other possibilities are also likely. These include increased bankruptcies, an "investment strike" and capital flight abroad. Those firms unable to pay decent wages and still earn an acceptable rate of profit will close. An investment strike may happen if owners of capital perceive worse profitability prospects. In addition, those who are able may choose to move their capital to "greater pastures" in other countries.

In fact the issue transcends the narrow question of expected profitability. It includes the evaluation of the overall "business climate" by owners of capital. They may dislike the greater role to be played by government agencies and others in planning economic activity. Employers may be concerned that the increased relative bargaining power gained by workers in a full-employment economy will interfere with their ability to control their labor forces.

The measures included in H.R. 1398 to deal with plant closings or plant relocations will not be able to handle a significant capital strike or substantial capital flight. The various Federal incentives to be provided to business may not be enough to induce an adequate level of investment in the United States.

A significant capital strike or substantial capital flight will make it impossible to achieve full employment along the lines of H.R. 1398. Additional measures may need to be considered limiting the freedom of owners of capital and expanding the role of the government in the economy. These would include providing worker with some control over the investment decisions of their firms, public ownership of some facilities to guarantee necessary production and greater governmental planning of economic activity.

The bill has a vision of where the economy should be headed. It lists several high priority projects which should be immediately undertaken to place the economy on the path to full employment. While I support these projects, I believe they are not adequate for the task at hand. I believe that appropriate macroeconomic policies to stimulate the demand for goods and services are central for generating full employment. While the bill provides a role for monetary policy, it has no role for fiscal policy. And it maintains the fiction that federal budget deficits are necessarily bad.

Interest rates are to fall. This will occur if the Federal Reserve expands the money supply sufficiently. An expansionary fiscal policy can supplement the effects of lower interest rates on the economy. Such a policy can include an increase in the federal budget deficit arising from increased expenditures or decreased tax revenues. As the bill wished to increase tax revenues by eliminating tax loopholes, increased expenditures are likely the more relevant policy tool. These increased expenditures could go toward improving our nation's infrastructure and our health, education and welfare services. They can replace and go beyond the planned cutbacks in military spending. Expansionary monetary and fiscal policies can serve to increase investment and consumption spending and generate increased employment.

Today the problem is not that the budget deficit is too large; it is that it is not large enough to generate high levels of employment. The conventional cliche is that huge deficits are absorbing savings, and thus squeezing out productive investment that would otherwise be occurring. This might have some validity if we were already at full employment and business people were demanding more capital goods. That is not the case today. And even if private investment was partially crowded out by public expenditures, it might be the case that the public goods being provided were more useful than the private investment being foregone.

The Reagan Administration and others are using the budget deficit issue as a veil to cover their true motivation, that being to dismantle the minimal welfare state which has developed in the United States since the New Deal of the 1930s. As such, the budget deficit while not a problem for the economy has been made into a political problem. Rather than repeating conservative dogma, H.R. 1398 should provide room for expansionary fiscal policy and be unconcerned about lowering the federal deficit.

The final component of macroeconomic policy which needs to be considered is anti-inflation policy. H.R. 1398 rightly forbids the Reagan strategy of increasing unemployment to fight inflation. But it does not provide any hints as to how inflation will be handled. Inflation may be a serious problem in a fully-employed economy. The bill eliminates the standard means of fighting inflation. An explicit incomes policy-tax-based incomes policy, voluntary wage and price guidelines or mandatory wage and price controls will need to be considered.

My criticisms notwithstanding, I find H.R. 1398 to be a good beginning on the road to full employment. And I believe that full employment is necessary for improving the conditions of the economically disadvantaged and unskilled unemployed. Without full employment, many will remain unemployed; others will be stuck in low-wage dead-end jobs.

Moving toward full employment will have the same effect on these people as would a robust economic expansion over a normal business cycle. A growing economy besides providing jobs for many of the unemployed facilitates upward occupational mobility. Employers are more likely to upgrade current employees and to train new workers whom they would have otherwise refused to hire. In the high-employment economy of the late 1960s, new high-wage jobs, for example in manufacturing, were disproportionately filled by youth, women and blacks recruited mainly from low-wage industries such as retail trade. The jobs which they left were filled by people who had been either officially unemployed or considered out of the labor force.

In addition, there was a narrowing of wage differentials in the late 1960s. Wages were increasing faster in low-wage sectors as employers were forced to compete more strongly for labor. Thus, those who were not upgraded and remained in the low-wage sectors of the economy also benefitted.

Some of the unemployed did not find work and some of the economically disadvantaged did not benefit. But full employment was not achieved, only high employment.

In conclusion, I strongly support your efforts around H.R. 1398. I hope that a revised version of the bill is passed and signed into law. It is the least that can be done for the unemployed.

Mr. **Hayes**. Thank you. Mr. Yudken.

STATEMENT OF JOEL YUDKEN, DIRECTOR FOR PROGRAMS, CENTER FOR ECONOMIC CONVERSION

Mr. **Yudken**. One small correction. I am director for programs, not the director for the Center for Economic Conversion.

I would like to thank you for allowing me, on behalf of my organization, Center for Economic Conversion, to present testimony before your subcommittee concerning this important piece of legislation.

The Center for Economic Conversion is located in Mountain View, CA, the heart of what is commonly called Silicon Valley. The center is a nonprofit research and educational organization which began in 1975, to study and promote alternatives to the problem of economic dependency, particularly caused by military spending at the local, regional, and national level.

It has since become the leading economic conversion information clearing house and resource center in the Nation. There are currently two bills before Congress right now that deal directly with the problem of military conversion. These are the Defense Economic Adjustment Act, sponsored by Congressman Ted Weiss, and the Economic Conversion Act, introduced by Congressman Nicholas Mavroules.

However, there are four reasons why the center is especially interested in and supports the legislation before you now, the Income and Jobs Action Act of 1985.

The first obvious reason is that economic conversion is presented as a significant component of the bill. Second, the sponsors of the Jobs Act should be applauded for introducing the first comprehensive national legislation which links conversion of military industries to the revitalization of our Nation's declining industries.

Third, the goal of full employment economy with the guaranteed adequate standard of living for all must, in my opinion, be a central objective for economic conversion in its broadest sense. Fourth, the emphasis on local economic planning presented in the Jobs Act is also a central feature for economic conversion planning.

Now, given my time limitations here, I cannot really go through my written testimony in any detail. I refer you to that for elaboration. I would just like to touch upon some of the key points that I try to make there.

First, let me just begin by trying to give what a definition of conversion, a good working definition of economic conversion is, as presented by William Hartsong in his book, "The Economic Consequences of a Nuclear Weapons Freeze".

He defines "conversion" as a planning process for developing alternative uses of the work force and facilities currently engaged in military production in advance of change in policy that may shut down or slow down work at the particular facilities.

I think that one should pay special notice to the word "advance", that is advance planning and advance notification are central components of conversion. But, also, a key component are the establishment of altering use planning committees, which are composed jointly of management, labor, representatives from government, local and State and even National, at appropriate times, as well as representatives from the community.

These altering use committees can oversee a planning process at the plant at the local level that includes various steps which, again, I cannot go in to much detail, but just to list some of them, includes doing an assessment of the existing capacity and work force skills at that facility, doing a process of evaluation, identification, and evaluation, and selection of potential alternative products that could be produced in lieu of what is existing being produced at that facility with some of the key guiding criteria of profitability and marketability of those products and especially the optimum use of existing capacity work force at the facility.

Also, an important and critical component is occupational retraining and maintenance of income and benefits for the work force during that transitional period, and, in addition, conversion planning, of course, must have some mechanism for financing it, both for the planning process and also the implementation of the plan.

I should point out that both the conversion bills in Congress as well as the Jobs Act do make provision for financing, but I just want to highlight that the financial question is a critical one in this whole thing.

Most of the conversion—discussion of conversion and promotion of conversion has taken place around conversion of military facilities. I want to point out that now there is much more emphasis on conversion being applied to commercial facilities. The concept is being broadened, and it is being taken up, in fact, by many activists and labor unions at civilian plants.

So, we must be very careful today and to make a distinction between conversion as applied to a civilian facility and a defense facility because some of the criteria and problems of converting military firms is very, very different than what you might have tc do, to confine conversion to a defense facility.

Again, I will not emphasize, I will not go into detail. There is a great degree of documentation about the conversion problem for military facilities, especially that which has been put forward by Prof. Seymour Melman at Columbia University, and many of his colleagues and many other writers around the country.

I do want to point out, though, that some of the experiences that have occurred, both within industry as well as some of the efforts going on today, at plants led by unions, have pointed out there are some critical problems that need to be met at a higher—at a national level if we are going to be able to make conversion planning really possible, and this goes for civilian conversion as well as military conversion.

One of the areas is the lack of research and development support for a new commercial product, and, second, it is the lack of effective marketing in socially needed areas, such as transportation products, renewable energy, health care, housing, and so forth.

Therefore, I want to say that successful economic adjustment of defense-related facilities to alternative uses is entirely feasible, but it is clearly not an automatic process or overnight affair. At minimum, advance planning, retraining, and income support for affected workers of dislocation are necessary preconditions for the viable conversion to occur.

However, it is becoming increasingly obvious that further conditions need to be established in terms of new economic policies and legislation before conversion becomes truly possible and at any reasonable scale, and this also leads to one of the key reasons the center is especially interested in the Jobs Act, the length between military conversion and overall economic renewal.

I have already alluded to the fact that many conversion proponents today are defining conversion much more broadly than simple economic adjustment to military cutbacks. That is, they are instituting a military economic conversion and adjustment programs must go hand in hand with policies which direct the vital national resources now diverted primarily to military production and to revitalizing our Nation's economy and social welfare base.

We come to this conclusion through our understanding of how military spending has had and continues to have a distorting effect on the Nation's economic performance. I would like to suggest the situation can metaphorically be described as an addiction.

On one hand, there is no question that military spending creates many jobs and has had a pump-priming effect on our economy in the short-term way. The military Keynesianism of the current administration has clearly been a major factor in the recent economic recovery. It has provided a short-term boost to various geographic regions and industrial sectors in the economy.

Coming from California, that is a very obvious fact. Numerous businesses, communities, working people throughout the United States are becoming increasingly reliant on defense spending for their economic welfare. Local communities and workers bear the burden, therefore, of any major cuts that might occur in the weapons program.

Economic vulnerability, therefore, leads to fears of job and income loss, which, in turn, fuels the demand for ever-expanding defense budget and escalating arms race, aside from the real national security needs.

Now, the flip side of the addiction is that military spending also saps vital capital and technological resources from the needs of a healthy economy. There has been much documentation and writing and analysis on this, and I will not go into that.

But, I think one point I want to make here is that this diversion effect, in particular, fuels the decline in industrial competitiveness that we are now experiencing. This deterioration of U.S. competitive situation is the subject of concern, especially, for example, the Presidential Commission for Industrial Competitiveness Report that has recently been published.

It has also been taken up as part of the task force in California and the State senate, Garimendez' long-range policy planning committee, of which I am a member, and it has also been written within a report by the American Electronics Association. All of them really focus on how industrial competitiveness is declining and, in particular, the President's report identifies three factors which are particularly important to industrial competitiveness; technology, capital resources, and human resources, and it is in precisely these areas that we can observe clear impacts of military spending on our competitive strengths.

Now, I will just—for example, just focus on technology. Half of the U.S. research and development is funded by the Federal Government. Most of this is for defense and space. It has been pointed out, however, by the President's report, that military research and development does not significantly spill over into commercial sector as many people think it does.

Now, in another recently released report of the American Electronics Association, puts it in even stronger terms. Federal funding, which is particularly critical to the basic research of universities, has shifted more and more to military priorities without proper concern for impacts on industrial competitiveness.

We cannot allocate 70 percent of federally funded R&D to defense and severely limit high U.S. technology exports, even in East/West trade, without paying a very significant price in terms of competitive strength.

The decline in special competitiveness fueled in part by military spending greatly enhances the latter's addictive nature. As plant closures and cutbacks increase in the civilian sector, particularly in the manufacturing industries, military contracts look more and more attractive as a means of bailing out the ailing facilities. This is occurring, for example, in both the aerospace and ship building industries, and it is also a cut and redirection of military funding would lead to long-term economic benefits. In the short run, it would contribute to economic instability, both regionally and nationally.

Therefore, the military addiction, as I am calling it, presents us with a major dilemma; without substantial cuts in military spending, economic renewal will be extremely difficult. On the other hand, as long as we remain hooked on military spending for providing one of the only stimuli to jobs and businesses today, it will become increasingly difficult to create the political will to make the necessary reductions in the arms budget.

Our response to the problem has been proposals and legislation for economic conversion. If these policies are put into practice, which is the purpose of the Weiss and Mavroules' bills, then some of the conditions for making a smooth transition away from defense dependency will be met.

However, as any one familiar with the problems of addiction would see, this is hardly sufficient to get us unhooked. What is needed for our economy and our society is to find a substitute for the drug of military spending. What this means, operationally, is a comprehensive legislative program. Such a broad, far-reaching program would incorporate conversion and adjustment planning as important elements, but it would also include many other measures that establish means, including planning mechanisms for directing our national resources toward devitalizing and enhancing the competitiveness of manufacturing industries, rebuilding the public infrastructure, and establishing workable social programs for those who need them.

We need comprehensive national bills for housing, transportation, health care, energy, education, environmental protection, and other vital areas of social needs. These bills should provide support for research and development and investment and create effective new markets for products and services in these areas.

Very few of these measures exist at the present, but it is important to note that without such a comprehensive approach toward the problem of the military addiction, conversion policies will have much less chance of success.

Both the emphasis on economic renewal programs and conversion are necessary in order to build the kind of political direction and movement that can overcome the force of the addiction. This will not be an easy challenge to undertake. It may be our only option, however. In this light, the jobs act is a very good step toward establishing the framework for this comprehensive program.

I understand that the jobs act is only meant to be an umbrella bill. I offer the services of myself and the Center for Economic Conversion to help strengthen this bill and to aid in designing the necessary supportive legislation which can make the goals of the jobs act reality.

I would also like to suggest that locations on the West Coast be considered for future hearings. Again, I am sure my organization would be pleased to provide whatever support we can and participate in such hearings.

[Prepared statement of Joel Yudken follows:]

PREPARED STATEMENT OF JOEL S. YUDKEN, DIRECTOR FOR PROGRAMS, CENTER FOR ECONOMIC CONVERSION, MOUNTAIN VIEW, CA

Thank you for allowing me, on behalf of my organization, the Center for Economic Conversion, to present testimony before your committee concerning this important piece of legislation. The Center for Economic Conversion (CEC; formerly the Mid-Peninsula Conversion Project) is located in Mountain View, California, the heart of what is commonly called Silicon Valley.

It is well known that Silicon Valley is one of the leading centers of commercial high technology innovation and production in the world. What may not be as appreciated, is the fact that it is also home to one of the largest concentrations of military industry in the nation. In FY 1984, the Valley was recipient of nearly $5 billion worth of prime military contract awards, a total greater than than received by all but five states (excluding California).

CEC, a non-profit research and educational organization, began in 1975 to study and promote alternatives to the problem of economic dependency, caused by military spending at the local, regional and national levels. It has since become the leading economic conversion information clearinghouse and resource center in the nation.

Its overall mission is twofold. First, we educate the broad public about the economic consequences of military spending. Secondly, we promote alternative military, economic and industrial policies that aid the transition to healthier, civilian economy based on the goals of full employment and meeting the basic needs of all people.

There are currently two bills before Congress, endorsed by CEC, that deal directly with the problem of military conversion. These are the Defense Economic Adjustment Act (H.R. 229) sponsored by Congressman Ted Weiss, and the Economic Conversion Act introduced by Congressman Nicholas Mavroules. However, there are four reasons why CEC is especially interested in, and supports the legislation before you now, The Income and Jobs Action Act of 1985.

The first, obvious reason is that economic conversion is presented as a significant component of the bill.

Second, the sponsors of the Jobs Act should be applauded for introducing the first comprehensive legislation which links conversion of military industries to the revitalization of our nation's declining industries.

Third, the goal of a full employment economy, with a guaranteed adequate standard of living for all, must in my opinion, be a central objective for economic conversion, in its broadest sense.

Fourth, the emphasis on local economic planning presented in the Jobs Act is also a central feature of economic converison planning, as we define it.

Now, I would like to briefly elaborate on each of these points, in the order presented.

ECONOMIC CONVERSION AND ECONOMIC ADJUSTMENT

A good working definition of economic conversion is presented by William Hartung ["The Economic Consequences of a Nuclear Nuclear Weapons Freeze," New York: 1984, p. 88]:

"[Conversion is] a planning process for developing alternative uses of the workforce and facilities currently engaged in military production in advance of changes in policy that may shut down or slow down work at the particular facilities".

It is important to distinguish here between conversion which implies utilizing the existing facilities, capacity and workforce to produce new products or services, from diversification. The latter usually entails a purchase of a new plant or business by a firm, and does not address the adjustment problems of the workers and community where a dislocation is occurring.

As Hartung's definition implies, conversion planning is optimally done prior to any major dislocation, whenever advance notification is possible. It has been argued by conversion experts that anywhere from 2-5 years, and sometimes longer, would be required for military firms to convert to new product lines. Hence, the earlier the planning process begins, the greater likelihood of success.

Alternate use planning at the local plant level is one of the central components of the conversion process. Alternate use planning committees would be established consisting of representatives from management, the workforce, and depending upon circumstances, from local and state governments, and local citizens organizations. They also would include selected technical consultants from government, industry and universities.

Alternate use planning is a process which first involves making detailed assessments of the existing plant, equipment, technical processes, workforce skills, and the business' past and current management, engineering and marketing experiences. Next, a new product line (or lines) needs to be identified and evaluated, which can be profitably reproduced and marketed, with maximum utilization of the existing capacity. (See the attached sheet "Economic Conversion Planning: A Short Primer" for a slightly more detailed description of the conversion planning process).

Occupational retraining, and the maintenance of worker incomes and benefits during the transition process are also essential components of the conversion process.

A further, necessary ingredient of conversion, of course, is financing. Aside from the money needed to support and retrain workers, financial resources need to be allocated for carrying out the alternate use planning process, performing the necessary product feasibility studies, and finally, for implementation of the plan. These funds must come from a combination of public and private sources.

Both the Weiss and Mavroules bills, as well as the Jobs Act make substantial provisions for financing the conversion planning process. From our experience and observation of recent local plant alternate use planning efforts, it appears that the availability of funds, especially for the initial planning and feasibility studies, has been a significant problem. The existence of technical and financial assistance provided through local, state or national government auspices would, therefore, greatly facilitate and enhance the potential for success of local plant conversions.

Conversion as defined above, and as is commonly presented, especially in the Weiss and Mavroules bills, is designed specifically for providing economic adjustment for cutbacks at military bases, and industrial facilities. In recent years, there has been an attempt to broaden the applicability of the conversion planning process to civilian activities threatened with closure or cutbacks. There have also been some actual alternate use planning efforts at commercial industrial plants (e.g., a G.E. plant in South Carolina) and within declining industries (e.g., the cutting tool industry in Western, Mass.) around the nation.

Some of the main elements of economic conversion are as applicable to civilian industries as to military industry. Care must be taken, however, to distinguish between the process of military industrial conversion, and conversion planning as applied to civilian activities. The conditions and requirements for the two kinds of situations are quite different.

In the case of military facilities, economic conversion planning needs to be done well in advance of the termination dates of actual contracts. Given the nature of defense procurement and contracting, this is much more easily done in the defense sector than in others. In instance of plant closures and large business cutbacks in commercial plants, the planning can usually proceed only once notification is given.

A more significant difference lies in the nature of the market for defense goods as opposed to civilian goods. The defense market operates in a completely different environment than competitive civilian markets. Defense contractors, with some notable exceptions (e.g., Kaman Corp. which converted military helicopter technology to a successful line of guitars), have had great difficulties in converting portions of their business into civilian markets (e.g., Boeing-Vertol and Rohr with light-rail and rapid transit vehicles; Grumman with buses; Lockheed with commercial aircraft).

Part of the problem lies with the management, marketing, engineering and design organizations in defense firms, which operate under very different performance constraints and demands than in civilian production. There would have to be substantial reorganization, and retraining of management and engineering personnel before such firms could successfully convert.

Defense firms are accustomed to federal subsidization of their R&D work which leads to new products, along with some of their capital equipment and much of their plant space. Few such advantages currently exist in most of the commercial markets to which defense firms might consider shifting. Developing new products that would be competitive in world markets and produceable by defense firms will be very expensive. This is especially, so, because these firms have little previous experience in these markets, and currently lack the technical competence to design from scratch competitive new products such as light-rail vehicles or commuter aircraft.

Identifying new product areas, which military facilities can successfully produce and market therefore represents another products, such as in the transportation, waste treatment, renewable energy, health care, housing and education fields suffer from the lack of effective markets to make it profitable for a firm to switch.

These and other factors present formidable, but not insurmountable barriers. Successful economic adjustment of defense-related facilities to alternate uses is entirely feasible, but clearly not an automatic process or overnight affair. At minimum, advance planning and income support for affected workers of dislocation are necessary preconditions for viable conversion to occur. However, it is becoming increasingly obvious, that further conditions need to be established, in terms of new economic policies and legislation, before conversion becomes truly possible at any reasonable scale. This also leads into the second reason CEC is interested in the Jobs Act: the link between military conversion and overall economic renewal.

CONVERSION, ECONOMIC RENEWAL AND THE MILITARY ADDICTION

Economic conversion is not a new concept. As far back as World War II, Walter Reuther, past president of the United Auto Workers union, proposed a post-war reconversion plan for the nation. However, the late fifties and early sixties may be considered the real starting point for the issue, led by the pioneering work of Prof. Seymour Melman at Columbia University. Conversion legislation has been put before Congress, off and on for several years, as well.

In the middle to late 1970s there emerged, for the first time, a grassroots, community and labor movement to promote economic conversion. Most of the thrust for this movement has come from the peace movement. However, major labor organizations, especially the International Association of Machinists have long been pioneers and leaders in the efforts to pass conversion legislation, and stimulate conversion activities around the U.S.

The past two years, have witnessed an especially marked resurgence of interest and activity in support of conversion: introduction of three Congressional bills, including the Jobs Act; bills before eight state legislatures; at least six industrial plant conversion/alternate use planning efforts and projects; major national and international conferences; numerous grass-roots organizations and activities relating to conversion. Meanwhile, conversion activities have expanded unabated in England and Western Europe, led primarily labor unions, since the mid-1970s. (see attached sheet Economic Conversion Update].

It is significant that many conversion proponents are defining it much more broadly than simple economic adjustment to military cutbacks. That is, the instituting of military economic conversion and adjustment programs—must go hand-in-hand with policies which direct the vital national resources, now diverted primarily to military production—into revitalizing our nation's economy and social welfare base.

Many economists and analysts have argued and written that excessive military spending has a distorting effect on our nation's economic performance. It has been identified by some as a major factor fueling the long-term decline in U.S. industrial capability and competitiveness that we are witnessing today.

The situation can be described metaphorically as a kind of 'addiction'. On the one hand, there is no question that the military spending creates many jobs and has had a pump-priming effect on our economy—in a short-term way. The military Keynesianism of the current administration has clearly been a major factor in the recent economic 'recovery'. It has provided a short-term boost to various geographic regions and industrial sectors in the economy. [*Defense Economic Research Report*, March 1983, Data Resources, Inc.].

This impact is especially evident in California, which leads the nation in aggregate military spending, including over $28 billion in FY 1984 or 21.4% of the total military contract awards in the U.S. For example, a recent report of the Bank of America [*Economic Outlook, California 1984*, December 1983] notes:

"Defense spending continues to play a major role in the state's economic outlook. Approximately $55 billion will flow into California in 1984 as a result of the federal government's military spending . . . It is estimated that some 15 to 20 percent of the state's 1984 growth rate is attributable to the increase in defense-related production."

One of the consequences of military spending, and particularly the current expansion in the military budget, is that numerous businesses, communities and working people throughout the U.S. are becoming increasingly reliant on defense spending. They are consequently economically vulnerable to any major cuts in military programs.

In the end, local communities and workers bear the burden of a major military cutback. Defense dependency, therefore, is a measure of the vulnerability of regional and local economies, and their workforces, to ever-shifting political winds, and the volatility of the defense market.

Economic vulnerability creates fears among workers, business people and politicians about losses in jobs and income. This, translates on the aggregate level, into a political demand for increasingly high-levels military spending. In short, one of the effects of the military addition is to promulgate a political climate that supports an escalating arms race.

On the other hand, although military spending has a short-term job creating/economic boasting effect, the military economy, like an addiction, saps vital capital and technological resources from the needs of a healthy, civilian, self-sustaining economy, and diverts them to economically unproductive weapons programs.

It is instructive to consider how this diversion effect has been a substantial factor in the deterioration of our nation's industrial competitiveness.

According to the recently published "Report of the President's Commission on Industrial Competitiveness" [*Global Competition: The New Reality,* January 1985, three volumes] "our Nation's economic leadership—both at home and abroad—faces strong challenges from international competitors." It further argues that "we have failed to respond adequately. Our ability to compete in world markets has been gradually eroding. Even our lead in high technology is slipping."

For example, the report cites:

"Since 1960, our productivity growth has been dismal—outstripped by almost all our trading partners. Japanese productivity growth has been five times greater than our own. That country's productivity now exceeds that of the United States in steel; transportation equipment; and electrical, general, and precision machinery."

Most importantly, it points out that "American employees in those industries have experienced the competitive consequences of our lagging performance".

Three areas which are crucial to improving the U.S.'s ability to compete, according to the Report, are: technology; capital resources and human resources. It is precisely in these areas where we can see the limiting impact of military spending on our nation's industrial performance.

First, military spending in research and development does not promote, and often seriously inhibits technological innovation in the civilian sector. Technological innovation is key to maintaining a strong competitive advantage. However, half of the R&D done in the U.S. is funded by the Federal Government, most of which is spent on defense and space programs. In these areas the Report notes "commercial spillover is not a prime objective." It further contends:

"When we look at what the United States spends on civilian R&D—areas of innovation for which we can reap the greatest commercial reward—we find ourselves behind both Germany and Japan."

Another, recent report of the American Electronics Association (AEA) puts it in even stronger terms.

"Federal funding, which is particularly critical to basic research in universities, has shifted more and more to military priorities with proper concern for the impact on industrial competitiveness. . . We cannot allocate 70 percent of federally funded R&D to defense and severely limit U.S. high technology exports even in West-West trade without paying a very significant price in terms of competitive strength."

Secondly, the massive expenditures on military programs by our Federal Government, taken from taxpayers earnings and savings, has a great effect on supply, cost and direction of flow of capital resources in our economy. As the Report states:

"Given our low national savings rate, the Federal budget deficit poses a major competitive disadvantage. Large, sustained deficits, like those commonly projected today, bid capital away from the private sector, since by definition, Government has first call from funds without regard to their cost."

Moreover, as Seymour Melman often points out, the military budget constitutes a huge capital pool which is being diverted from economically productive to non-productive uses.

Thirdly, the diversion of skilled labor and scare technical talent to military work further undercuts the ability of our commercial industries to innovate and produce competitively.

For example, a Briefing Paper prepared by the Assembly Office of Research, for hearings held by the California Assembly Committee on Economic Development and New Technologies ["The Impact of Defense and Aerospace Spending on California's Economic Development," December 4, 1984] notes that "shortages of certain skills and professions in the California labor force are appearing as the state's economy becomes more high tech." It quotes William Perry, chairman of the AEA's Electronic Education Foundation, in a recent AEA publication as saying: "The lack of electronic and computer science engineers may be the single most important factor limiting the growth and continued vitality of electronics industries".

In addition, the Briefing Paper states:

"According to the AEA, increased defense spending is one factor which will further deplete the number of U.S. citizens available for recruitment by commercial, nondefense companies and engineering university faculties. Recent cutbacks in federal funds for higher education and phasing out of government grants and loan programs exacerbate the problem."

The decline in industrial competitiveness, fueled in part by military spending, greatly enhances the latter's addictive nature. As plant closures and cutbacks increase in the civilian sector, particularly in manufacturing industries, military contracts looks more and more attractive as a means of bailing out ailing facilities.

This occurring, for example, in both the aerospace and shipbuilding industries. Hence, although a cut and redirection of military funding would lead to long-run term economic benefits, in the short-run it could contribute to economic instability both regionally and nationally.

FINDING A SUBSTITUTION TO THE MILITARY ADDICTION

The "military addiction" presents us with a major dilemma. Without substantial cuts in military spending, economic renewal will be extremely difficult. On the other hand, as long as we remain "hooked" on military spending for providing the only major stimulus to jobs and businesses, it will become increasingly difficult to create the political will to make the necessary reductions in the arms budget.

One response to the problem have been proposals and legislation for economic conversion and adjustment programs. If these policies are put into practice, which is the purpose of the Weiss and Mavroules bills, then some of the conditions for making a smooth transition away from defense dependency will be met.

However, as anyone familiar with the problems addiction would see, this is hardly sufficient to get us "unhooked". What is needed for our economy and society, is to find a "substitute" to the "drug" of military spending. What this means operationally, is a comprehensive legislative program. Such a broad, far-reaching program would incorporate conversion and adjustment planning as important elements.

But it would also include many other measures that establish means, including planning mechanisms, for directing our national resources towards revitalizing and enhancing the competitiveness of manufacturing industries, rebuilding the public infrastructures, and establishing workable social welfare programs for those who need them.

We need comprehensive national bills for housing, transportation, health care, energy, education, environmental protection and other vital areas of social need. These bills should provide support for R&D and investment, and create effective new markets for products and services in these areas. Very few of these measures exist at present. But, it is important to note, that without such an comprehensive approach towards the problem of the "military addiction" conversion policies would have much less chance of success.

Both the emphases on economic renewal programs and conversion are necessary in order to build the kind of political direction and movements that can overcome the force of the addiction. This will not be an easy challenge to undertake. It may be our only option, however. In this light, the Jobs Act is a very good first step forward in establishing framework for this comprehensive program.

CONVERSION AND FULL EMPLOYMENT

The companion goals of full employment and providing all citizens with an adequate standard of living, is completely compatible with economic conversion. One of the principle purposes of conversion is to protect workers and aide their transition to new, more productive jobs under conditions of serious economic dislocation.

Although this addresses the adjustment needs of a number of key worker groups, it does not directly respond to the problems of unemployment among other constituencies, such as minorities and women. The defense sector in particular, tends to employ white, middle-income high skilled or professional males.

Therefore, in developing policies for conversion and economic renewal, we must be especially sensitive to the needs of disenfranchised groups of working people who may not be affected directly by conversion planning in either the military or declining industries.

Economic planning policies in the future should therefore emphasize creation of economic activity that guarantees employment for these workers. Secondly, education and training programs should be developed which help qualify these workers for a place in the labor markets of the new higher skilled, hi-tech industries.

At this time, no conversion and economic renewal policy proposals and legislation seem to adequately cover these concerns. Yet, conversion to a healthy civilian economy has to include this guarantee of employment for all. The Jobs Act must be commended in laying down a framework in which employment and an adequate standard of living are a basic right, and thus mandates that legislation and policies be designed and implemented which fulfill these requirements on a national scale.

CONVERSION AND LOCAL PLANNING

Another major feature of concession is that its fundamentally a local planning approach. Although there needs to be some coordination, financial and technical assistance, and other supportive policies and legislation at the Federal level, the nuts-and-bolts activity of conversion and alternate use planning must take place at the local community and plant levels, to be effective.

As noted previously, particpation of all affected peoples including workers, managers, local citizens and public officials is necessary for the planning process to work.

Much current conversion activity in the U.S. is, in fact, occurring at the regional, local community and plant levels. Legislation for economic renewal and conversion planning is being promoted in Connecticut and Minnesota, by coalitions of community and labor groups, with the support of local and state political leaders.

We see just the beginnings of efforts to create conversion task forces and promote local conversion ordinances at city and county levels in the U.S. CEC is contemplating being especially active at this level, in the coming year. Plant level projects from Long Beach, California, to E. Chicago, Indiana to Quincy, Massachusetts, have been inititated and led by local labor unions and community activists.

We consider these local and regional-based efforts to be as important to the achievement of conversion and economic renewal as the Federal legislation. However, Federal bills such as the Jobs Act are essential for both creating a supportive political context, as well as for directing concrete resources towards the achievement of successful results at the local level.

In conclusion, the Income and Jobs Action Act of 1985 is an important landmark bill which sets the stage for enacting a broad range of supplemental legislation. We are pleased that economic conversion is incorporated as a key component of the bill. It is an excellent complement to the Weiss and Mavroules legislation also pending before Congress.

There is one caveat that I want to reiterate. Without substantial cuts in the currently excessive military budget, many of our objectives with these far-reaching bills may not be possible to achieve. However, if this shift in budget priorities were to occur bills like the Hayes, Weiss and Mavroules Acts are essential for guiding the transition and redirection of national resources that would have to occur, towards a stronger, productive full employment economy.

On the other hand, unless we can present a implementable comprehensive program of economic renewal and adjustment as I mentioned earlier, we will not be able to get sufficient political support for making the necessary cuts in the military budget in the first place.

Conversion is an especially important tool for these ends, as it addresses the problem of adjustment to dislocation on one hand, while promoting viable means to create new economic productive alternatives, on the other.

I understand that the Jobs Act is only meant to be an umbrella bill. I offer the services of myself and the Center for Economic Conversion to help strengthen this bill, and to aide in designing the necessary supportive legislation which can make the goals of the Jobs Act a reality. I would also like to suggest, that locations on the West Coast be considered for future hearings on this bill. Again, I'm sure my oganization would be pleased to provide whatever support we can, and participate in such hearings.

Mr. HAYES. Thank you.

Mr. LeRoy.

Mr. LEROY. Mr. Chairman, we do not want to skip over Dr. Keyserling.

Mr. HAYES. I am saving him for last.

Mr. LEROY. Very good, sir.

STATEMENT OF GREG LeROY, RESEARCH DIRECTOR, MIDWEST CENTER FOR LABOR RESEARCH

Mr. LEROY. Chairman Martinez, Congressman Hayes, Congressman Conyers, thank you for the opportunity to speak with you today.

The Mid-West Center for Labor Research was founded 3½ years ago by union leaders, community organizers, and academics, who want to provide more in-depth analysis and research for America's industrial communities against the industrialization and against community abandonment.

During that time, we have been involved with several local efforts against plant shutdowns, exposing abuse of government development incentives, conversion of military and civilian plants and their uses, helping cities develop better municipal policies for detecting possible shutdowns, feasibility studies for worker ownership, and generally trying to educate the public about new, current and industrial job retention strategies.

We have been asked to speak today here specifically about the issue of economic conversion, and it is evident from our work that conversion will become increasingly prominent in the industrial policy debate. It is not just coming from people who advocate reduced military spending; conversion is a brass tacks way of dealing with the fact that many communities in America have excess industrial capacity and something should be done about excess capacity.

For areas like the southeast side of the Calumet region of Indiana, where the real unemployment rate has never dropped below 24 percent since the 1980–82 recession, lots of excess industrial capacity sitting around, lots of very highly skilled workers, but there is no assistance available for those cities to try to get something back in those factories to breathe new life in the communities.

There have been several notable efforts around the country during the past several years for conversion, including efforts in Charleston, SC, Long Beach, CA, Quincy, MA, Portsmouth, OH. In East Chicago, IN, we have a joint project with the United Citizens Organization in East Chicago, we call it the Calumet Project for Industrial Jobs, and for the last 18 months, we have been involved in the campaign to save a company called the Blaw-Knox Foundry and Little Machinery Co. through conversion.

While the Blaw-Knox campaign is a case in point, what I would like to stress generally about all of these conversion efforts today is that they are excellent models of cooperative labor community efforts to save jobs, stabilize communities. They are molded from the best American tradition of voluntarism and self-help, but the fact remains that for various reasons, none of these methods have yet succeeded. We think H.R. 1398 is significant because it increases the chances, if it were enacted, that future efforts would succeed.

Our own experience, as I said, is from the East Chicago, IN, trying to save what is the largest steel foundry in the Chicago region, the Blaw-Knox Foundry and Little Machinery Co. This plant faces shutdown within the next year because it makes armor, the holds and turrets, for the M–60 tank which has been discontinued by the Pentagon and replaced by the M–1.

Our experience there is a case study of the need for some sort of comprehensive Federal role in conversion. When the steelworkers union, Local 1026, of Blaw-Knox, alerted various public officials a year and a half ago that their plant was in danger of shutting down, there was no immediate avenue for regress. We did not qualify for assistance from the Pentagon Office of Economic Adjustment, because we did not meet their threshold requirements. There were no State and regional or local agencies to deal with conversion.

We were lucky we had very good cooperation among the union, community groups, church groups, city, State, and local development agencies, and we succeeded, after agonizing months, of assembling a catchwork of funding for a feasiblity study for possible reuse of the foundry, which is now being considered.

So, I would like to draw three lessons from that experience which apply to the H.R. 1398. First, the Pentagon had known since 1976, that the M-1 tank would supplant the M-60, and that that plant would no longer have work, making the armor for the M-60. Despite 8 years of prior notice, there was never any effort made to alert the workers or the community who would suffer when that work was lost.

You have to have advance notice to try to save jobs, to try to make conversion work. It is absolutely essential, and we think that H.R. 1398 provision for early notice is crucial for that reason.

The second point is that there is no—there were no specific funds available, there is no body of expertise available, for us to draw on to try to get conversion efforts going. We found ourselves contacting many different agencies, nonprofit groups, other labor unions who have been involved in conversion efforts, scrambling. It was very time consuming and expensive. It was often frustrating, and we think that the H.R. 1398 provision for conversion planning funds would begin to address this problem.

In the long run, it would provide an economy for future local efforts, so we do not have to keep reinventing the wheel.

The third experience, and that is that in our effort, we brought together many disperate parties: the local and international unions, local, regional, and State development agencies, even the veterans lodge kicked in for the feasibility study. We think that is the kind of grassroots broad-based effort that H.R. 1398 seeks to embody and foster, to call within the bill for soliciting the involvement of, first, voluntary organizations from many different groups, is, we think, a sound and prudent way of really maximizing the bill's benefits.

To sum up, I would just like to reemphasize the three most important points based on our experience in East Chicago, that we think are the most important parts of this bill.

One is early warning, which maximizes your odds for succeeding. Second is the need for technical assistance, a centralized body of expertise and funds available; and, third, the involvement of the labor unions.

Thank you.

[Prepared statement of Greg LeRoy follows:]

PREPARED STATEMENT OF GREG LEROY, RESEARCH DIRECTOR, MIDWEST CENTER FOR LABOR RESEARCH, CHICAGO, IL

Chairman Martinez and distinguished members of the subcommittee, thank you for the opportunity to speak with you today. The Midwest Center for Labor Research is a non-profit, tax-exempt organization founded three and a half years ago by labor union leaders, community organizers and academics who all agreed that America's industrial communities need more in-depth research and analysis in order to develop new ideas against deindustrialization and community abandonment. Since that time, we have been actively engaged in several local efforts opposing plant closings, exposing abuse of government incentives for economic development, conversion of military and civilian plants to new uses, development of improved municipal policies to detect possible shutdowns, analysis of the true social costs of job loss and its ripple effects, studies to determine the feasibility of worker ownership of failing plants, and the broad-based education of members of the labor movement, religious community and industrial cities about new currents in industrial job retention strategies.

We have been asked today to address specifically the issue of economic conversion. It is evident from our work that the issue of economic conversion will become increasingly prominent in the industrial policy debate. The call for conversion is not just coming from advocates of reduced military spending; it is a brass-tacks way of coping with the fact that dozens of U.S. communities have excess industrial capacity, and the problem seems to be growing worse with the changes being wrought by mergers, new technology and capital flight to low-wage labor markets. For workers in the Calumet region of Southeast Chicago and Northwest Indiana, where the real unemployment rate has not dropped below 24 percent since the 1980-1982 recession, it is enormously frustrating to see so many unemployed neighbors with long-built skills, and all about them abandoned or half-vacant factories which might once again breathe life into the community, and yet so little is now available to such communities to encourage or assist the conversion of those plants to new uses.

There have been several notable campaigns for economic conversion in the United States: the United Electrical Workers at General Electric's Charleston, SC works, the United Auto Workers at the Long Beach, CA facility of McDonnell-Douglas, the South Shore Conversion Project at General Dynamics' shipyard in Quincy, MA, and the Oil, Chemical and Atomic Workers at the Atomic Reclamation Project site in Portsmouth, OH. In East Chicago, IN, the Midwest Center for Labor Research has a joint project with the United Citizens Organization, called the Calumet Project for Industrial Jobs, which has been involved for the past eighteen months in the campaign to save the Blaw-Knox Foundry. We would also refer the subcommittee to the next issue of our journal, the Labor Research Review, which includes articles on the U.S. conversion movement.

We will discuss the Blaw-Knox campaign as a case in point, but what we wish to emphasize generally about all of these efforts to date is that they are excellent models of cooperative labor-community efforts to save jobs and stabilize communities. They are molded from the best American tradition of voluntarism and self-help. But the fact remains that for various reasons, none has yet succeeded. We think H.R. 1398 is significant because it seeks to provide the framework and assistance necessary to increase the odds that such efforts will succeed in the future.

Our own experience is from being involved in the campaign to find new uses for the Chicago area's largest steel foundry, Blaw-Knox Foundry & Mill Machinery Company in East Chicago, Indiana. This plant faces imminent shutdown because it is almost completely dependent upon production of the M-60 military tank, now discontinued by the Pentagon. Blaw-Knox casts and machines the armor hulls and turrets for the M-60.

The experience at Blaw-Knox is a case study in the need for a meaningful federal policy for economic conversion. When Steelworkers Local #1026 alerted various public officials in 1984 that the plant was in danger of shutting down, there was no apparent avenue for redress. The Pentagon's Office of Economic Adjustment could not help because employment levels at Blaw-Knox narrowly missed the Office's eligibility threshold. There was no state, regional or local agency with staff or resources designated for conversion. Fortunately, there was strong cooperation among the union, community groups, the city, the state and local development agencies, and a patchwork of funding was assembled for a feasibility study to identify new uses for the facility. That study was just released last month and is now being considered for implementation.

From this episode, we can learn three lessons. First, the Pentagon and General Dynamics (which assembles the M-60) had known since 1976 that the new M-1 tank would supplant the M-60. Only foreign orders have sustained the plant since 1980. Despite all this prior notice, no effort was made to notify or assist those whose livelihoods and community would be affected by the loss of that work. With sufficient advance notice, it would have been possible for the union, the company and the community to begin planning for future use of the facility. H.R. 1398's call for early notification is critical, we believe; early warning generally increases the odds of finding alternatives to job loss.

Second, no specific funds or expertise were available to provide technical assistance. A great deal of energy had to be spent on very short notice fundraising, researching and generally seeking to determine what it was that could be done. Without a centralized pool of experience to draw on, the Blaw-Knox steering committee found itself having to contact several different agencies as well as other labor and non-profit organizations involved in conversion to research the task at hand. It was time-consuming, expensive and often frustrating. H.R. 1398's provision for a Conversion Planning Fund would appear to address this problem. In the long run, such a fund would provide an enormous economy for future conversion attempts by ending the necessity for each local effort to "reinvent the wheel." All of the purposes designated for the fund are vital to a successful conversion effort.

Third, the experience of bringing together so many disparate parties—local and international union, community groups, local, regional and state development agencies, even a veteran's lodge—is the kind of broad-based educational outreach necessary to develop more grass-roots involvement in industrial policy. It became a clearly-defined task that broke through the internal divisions which often plague depressed communities. H.R. 1398's provisions calling for the solicitation and involvement of diverse voluntary associations in conversion efforts is, we believe, a sound and prudent way of insuring the greatest local educational impact and enhancing the chances for lasting benefits.

In conclusion, we would like to reemphasize the three components of H.R. 1398 which we feel, based on our experience, are the most needed for all conversion efforts, both military and civilian.

First, early warning. Without sufficient advance notice, the odds of averting job loss are drastically reduced.

Second, technical assistance. A pool of capital and expertise will provide an enormous economy to local efforts, and increase the chances that a viable alternative plan can be developed.

Third, community and labor involvement. Workers and their communities have their self-interests at stake; they should have a role in industrial planning which educates and empowers them, building on the voluntaristic, self-help efforts to date.

Mr. Hayes. Dr. Keyserling.

STATEMENT OF DR. LEON H. KEYSERLING, FORMER CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS, TRUMAN ADMINISTRATION

Dr. Keyserling. Mr. Chairman, Members of the subcommittee, speaking from a little practice, I think that one of the great difficulties in our current economic situation is the failure to recognize who is really in the position by service to the American people by record of accomplishments that have something worthwhile to say.

Therefore, I feel a little embarrassed by the position I unexpectedly am put in with respect to this hearing. I think that someone who is responsible for drafting the majority of the laws, beginning not in 1949 but in 1933, dealing with employment, social justice, public works, wages and hours, collective bargaining, later on, Humphrey-Hawkins, and the Employment Act of 1946, none of which, I may say, without pride, would not have been enacted but for my work, as well as serving as the chairman of the first Council of Economic Advisers, where unemployment was reduced to 2.9 percent and inflation to 0.8 percent, and having put out continuous studies over the years, that there is an adverse relationship between unemployment and inflation, some of which now many seem to think is a new problem.

I say this only for the reason of giving some various familitude to what I am now going to say.

I favor enactment of H.R. 1398, the bill now before you. In section 3, it makes clear the imperative need for adequate income and living standards for those unable to work, and in section 5, it spells out in comprehensive detail the road to imperatively needed locally based overall planning.

But these two additions are far from the most important reasons for H.R. 1398. The towering urgency of awakening the Congress, the President, and the American people to the terrible fact that the Employment Act of 1946 has become a dead letter for many years and that the 1970 act, usually referred to as the Humphrey-Hawkins Act, has been shamefully ignored by several Congresses, Democratic and Republican, and two Presidents, Democratic and Republican, during the 7 years since its enactment.

H.R. 1398, in my judgment, will not receive even a small fraction of the station it merits by a hearing in Chicago worthy though that is, much less will it be approved by the Congress, much less will it be of value, if approved by the Congress, nor any value even if approved by the President because, of course, that was true of the Employment Act of 1946, and of the Humphrey-Hawkins Act, unless and until there is full understanding of the tragic economic and social costs of ignoring these two acts and of how these tragic costs have been due in large measure to two decades of national economic and related social policies contrary to the mandates of the two acts and inimical to full employment, production and purchasing power.

For these reasons, I am confident that I can be most helpful here today by setting forth what in these two decades has been going wrong for the U.S. economy, economically, and in its social performance, how this has hurt most those who need help most, and the powerful contributory role toward all this of national policy.

In developing these points, I believe I am responsive to the questions raised in the letter I received on August 7 from the Subcommittee chairman, Mr. Martinez.

At this point forward, I am going to try to summarize briefly testimony. First of all, let me talk about the costs and what has been going on.

We have had a roller-coaster prosperity of ups and downs in repetitive succession. We are in the last of these now. The short term and an adequate economic boom, that which you hear so much, has already been succeeded by a period of stagnation, which is sure soon to lead to another period of recession, which, if history is any guide, is likely to be worse than the previous one.

The average rate of real economic growth, which was almost 5 percent in 1947-53 and again in 1961, has been only 2.1 percent during 1979-84. In other words, it was struck to about half of what it used to be. It is most disturbing that neither public nor private economic thought and action have been jarred by the stupendous costs of this. During the 21 years, 1953-84, with most of the trouble coming after 1966, most of becoming concentrated after 1980, the gap between the actual and reasonably potential GNP, measured in 1984 dollars, aggregated about $19.5 trillion.

Now, what does this mean? This means that we have thrown out of the window, never to be redeemed, an amount of production and employment opportunity becoming five times our total GNP in 1984. The gap between actual employment and reasonably full employment has averaged more than 5.6 million a year, over the 21 years, that is extensive unemployment, and has aggregated more than 118 million years of excessive unemployment, more than our total civilian labor force now, during the 21 years.

So, this is just as if we had told everybody in the labor force now, those who are working and those who are not working, just to do nothing for a whole year. This is the true level of unemployment, which is now about 11 percent, rather than somewhere in the neighborhood of 7.3 percent.

These staggering losses are vastly aggravated by the widening gap between the house of have and the house of want, greatly increased poverty during the most recent years, and progressive shortchanging of the great national priorities, education, health, housing, aid to the afflicted, repair of the decaying infrastructure, and so forth, which depend upon direct Federal aid to the non-Federal sectors, both private and public. Such developments have also worsened our international competitive position and worldwide influence.

Now, in the face of all this, congressional discussion, Presidential pronouncements, words of our leading economists, the press and the radio, have talked about everything which comes second and nothing that comes first. The great trouble with the American economy is the deficit upon the 11 million people, as you count them, who are unemployed. The rotation of unemployment, and their dependence comes 50 million people in 1-year directory by the economic curse and social ostracizes of unemployment. This is the great national deficit.

The great national deficit is a $300 or $400 billion a year that we are losing in national production. A great national deficit is the great wealth in poverty, the great submergence of the American people below, further and further below, and America's standard of living, the deficits—our health opportunities, our education opportunities, our infrastructure opportunities, all of which flow from the excuse that we cannot afford them when we cannot afford them because we are throwing out of the window national production and national employment.

These are the deficits that are heard, but do not talk about the deficits that really count. Now, the great tragedy of all this is the attempt to cure these deficits, the deficits from the Federal budget, the deficits of our trade position, the deficits of our price stability and our attempt to cure these at the expense of the deficits to production, of employment, we are greatly magnifying the deficits that we are trying to cure.

It will be penny wise and pound foolish to try to cure the secondary and neglect the primary, even if it worked, but it is not only penny wise and pound foolish but really crazy to keep on for 20 years trying to cure the secondary matters in ways which increase them all.

The deficit of the Federal budget is not due to too much spending. There may be some waste in all our great efforts. It is not due to too low a rate of taxation, although taxation has been wrongly distributed. The deficit in the Federal budget is due to the inability to squeeze adequate Federal revenues out of the terrible and starved economy, and all the efforts of Congress and of the President to cure this, in the ways that are now being attempted will increase the deficit, as it has for a number of years, and as every reputable forecaster admits.

The deficit of our international trade position, which, after all, only comes to 3 percent of our national products and is stated ridiculously as the main reason for our economic troubles, that comes not because of what is being done overseas, but what we are not doing at home. The fault, as Shakespeare said, is in ourselves, that we have been underlings. All of these secondary troubles have been the byproducts of failure to concentrate upon sensible economics from some twenty or thirty years ago, and your main sentiment always recognizes the big problem.

Full employment opportunities, full production opportunities, full purchasing power, and that is why the concentration of this bill upon these things is so important.

Now, you will think that in all that is going on, not just during the Reagan administration, though goodness knows I think it is the worst, I am a born and bred Democrat. I wrote the three platforms of Franklin Roosevelt when he ran for reelection. I served Harry Truman.

As a born and bred Democrat, I am ashamed of the general record of the Democratic Party in the last few years, not including anybody in this room. You cannot get a corporal's regard of support for them, from the heritage of the Democratic Party, the application of which would do most to solve our current problems. But the great failure is that there has been no recognition of why we have this roller coaster and why we lost the $19 trillion and why we have lost the 118 million man-years of unemployment and why we have more and more poverty and neglect in our public services.

The reason gets to something that everybody is afraid to talk about, the distribution of income. The increasing gap between the house of have and the house of want is not merely a social problem, it is the basic economic problem because every one of the recessions has been caused between investment and the means of production rushing ahead and consumption, both private spending and Government spending, falling behind, and then, when the recession occurs, naturally, investment is cut back and, naturally, the people who are doing it all scream, we have to have more tax reductions for investments. That is where the real problem is, that is like the man who goes in the hospital for getting drunk and at the hospital, he is not allowed to drink, and then as soon as he gets out, he says let me drink again, look how long I have not been drinking.

Every national policy has moved in the opposite direction. The money policy has distributed income up through high interest rates and really very tight money when you look at the real growth of the money supply rather than the nominal growth. The tax policy has moved upside down.

I am ashamed. I am not a member of the Rockefeller family, but I am ashamed when I think of how much tax deduction I have gotten in the last few years. I cannot do anything about it. The margin would raise the deduction from 90 percent to you all know what it is now, it will be zero, and the real tax burden that poses upon the middle-income groups and the low-income groups, taking all kinds of taxation, has gone steadily upward.

The great so-called social programs of such enormous economic value, housing, aid to dependent children, to fatherless families, the whole gamut of socially needed improvement has been slashed, cut to the bone, and you thought you were going to balance the budget this way by unbalancing further the American economy. I have figures here showing the whole trend in income flow, which shows the whole thing.

I want you to review that. It is obvious from what I have said. We have got to do what was done successfully during World War II. We will not have to have the same amount of controls because we will not be spending half of our product in fighting the war, burning it up, but if we learn a bit of anesthesia during the war, there is no reason why we should forget it when the war is over.

We learned it during World War II. We have applied it during the Truman administration, before the Korean war, when the unemployment went down to 0.8 percent, as I said, and unemployment down to 2.9, inflation down to 0.8. We've done it during the 7 years, when we had the beginnings of the Johnson and Kennedy administrations. We have got to put the Federal Government's policies in focus. What does this mean first, and there is the Humphrey-Hawkins bill. They are implicit in the Employment Act. They were done. They proved them.

We have got to have goals for the economy. We have got to say it is the determination and mandate of the government to get unemployment down to *x* percent within so many years. It is the goal to get production up to so much. It is the goal to have the relationship between the consumption and investment and Government spending, which will comport with this.

You cannot have a tax policy that changes the distribution of income, which does not know why you want to change it. You cannot have a policy that is doing everything, when you really have not certified whether you want to drive the automobile to Cincinnati or New Orleans. You go around in circles and you roll backward.

We need that again. We need a national prosperity budget or an economic performance budget for the Government, not to tell the steel industry what to produce, but to have the Government outline by its own policies, not running off in all directions, but doing what we have been successfully doing again and again, and what we need to institute again and what these two bits of legislation called for and which this current legislation would implement.

Now, I have it here what would need to be done about the Federal budget, and I will tell you a little secret. The Federal budget has got to be increased. The Federal budget has got to be increased to meet insistent, unanswerable human needs, to meet other needs, like the help of the infrastructure.

The Federal budget needs to be increased to play its part in getting a full employment economy, but with these other actions to have the economy growing as it should, the size of the budget in ratio to the GNP would fall rather than rise, as it did when we were doing these things, and we would get to a balanced budget by 1990 instead of moving in the opposite direction.

Now, there are three things in the bill which I want to mention that I have some doubt of. There is a place in the bill where it talks about increased action by the localities. I favor that, but I do not like to see smuggled into a bill, which has such great high purposes and the sponsors are so anxious to repudiate the kind of policy we have, the intimation of saying that the reason that you need this increased local responsibility is to prevent undue concentration of Federal power.

That was Mr. Reagan saying we had too much concentration of Federal power. Let him say that we want to get the Government off the backs of the people, but let me tell you if we are going to have the kind of America we all want, we need more genuine exercises of Federal responsibility. It is not that the Federal Government has done too much, it has done too little, it has done the wrong thing, it has avoided the things it ought to do, and done the things that it ought not to do.

All of our experience, Social Security, everything else, tells us that the pattern for what the Federal Government does sets the standards for what the States and localities do.

There was one Social Security economic life insurance act before we had a national act. There were 49 more after we had a national act. So, I urge that you go all out for the increase in local responsibility, but as a compliment to Federal responsibility and not written the way of a reduction of Federal responsibility.

Second, I have some doubts about the provision for compulsory shortening of the hours of work. Now, I think that our long-term history shows that we can shorten the hours of work as we have more production, as we have more technology, as a free American people, to choose more leisure rather than more work.

But, I do not believe it can be successful to spread unemployment by giving less job opportunities to some in order to have some job opportunities for others, and, above all, I would have you take another look at the provision of the shortening of the hours of work shall not be accompanied by any reduction in pay.

We do not just need to maintain the governing level of pay for fewer people, we need vastly to increase the total level of pay to all people, and that should be for fully employed people. The great trouble in the economy now is, as I said, a shortage of consumption, real wages of manufacturing now are lower than they were 10 years ago, while the fat have been fattened and the weak have been starved.

A vigorous and liberal wage policy is an essential part of the full employment policy, and one other thing is the provision that is relating to the military. Now, this is a little difficult to explain. I believe that military spending is too high. I must say that in the kind of world we live in, it is a little hard for me to know whether we should have more atomic submarines and more or less land-based vessels or which. As to the proposal that we should cut back unilaterally, I am going to wait and see what happens at the meeting between Mr. Gorbachev and President Reagan.

But, I do not want the country to—I am for fewer military expenditures, but I do not want the country divided by a bill on full employment taking the position that the only way to get the domestic programs we need is to cut the military or vice-versa. I think this is the false dichotomy. I think it has done unutterable damage to the economy. I think in the kind of economy we are in, until we get back to full employment, we have really despair for whatever level of domestic outlays we need and whatever level of military outlays are decided upon.

We have room for both, and when we get both, we will have barely reached full employment and full production. So, I do not want to see the business factor stirred into a bill that has so much appeal to so many.

I thank you for this opportunity, and, as I say, I think you have a great bill and a great purpose to serve, but it all depends upon getting it before the American people and before the Congress and before whoever may be President, because they all need to witness a great change in their views before we will get any of these things done.

Thank you, Members of the subcommittee.

[Prepared statement of Dr. Leon Keyserling follows:]

PREPARED STATEMENT OF LEON H. KEYSERLING [1]

Mr. Chairman and Members of the Subcommittee: I favor enactment of H.R. 1398, the bill now before you "to promote genuine and sustainable recovery and a full employment society by extending and fully implementing the Employment Act of 1946 and the Full Employment and Balanced Act of 1978." H.R. 1398 makes at least two important additions to these two vital enactments. In Section 3, it makes clearer the imperative need for adequate income and living standards for those unable to work. And in Section 5, it spells out in comprehensive detail the road to imperatively needed locally based overall planning.

But these two additions are far from the most important reasons for H.R. 1398—the towering urgency of awakening the Congress, the President, and the American people to the terrible fact that the Employment Act of 1946 has become a dead letter for many years and that the 1978 Act, usually referred to as the Humphrey-Hawkins Act, has been shamefully ignored by several Congresses and two Presidents during the seven years since its enactment.

And H.R. 1398, in my judgment, will not recieve even a small fraction of the attention it merits, much less be approved by the Congress, unless and until there is fuller understanding of the tragic economic and social costs of ignoring the 1946 and 1978 Acts, and of how there tragic costs have been due in large measure to about two decades of national economic and related social policies contrary to the mandates of these two Acts and inimical to full employment, production and purchasing power and equally injurious to simple equity and decency in the treatment of those scores of millions of Americans who need help most and have really gotten it least. Frankly, the American public has been greatly brainwashed in the wrong directions and the education H.R. 1398 can engender can set them straight.

For these reasons, I am confident that I can be most helpful here today, by setting forth what for at least two decades has been going wrong in the U.S. economic and related social performance, how this has hurt most those who need help most, and the powerful contributory role toward all this of national policies. In developing these points, I believe I am responsive to the questions raised in the letter I received on August 7 from the Subcommittee Chairman, Mr. Martinez.

Influential American leaders in and out of Government, upon whom both law and popular expectation have imposed increasing responsibility for national economic and related social policies, should not be comforted by the long-time deterioration in the performance of the U.S. economy since 1953 and especially since 1969. During these more than three decades, we have had six periods of stagnation and recession, with four since 1969. Stagnation is now upon us again, and both reason and experience indicates another recession to follow.

This roller-coaster would be not so serious if the ups and downs resulted in an average annual rate of real economic growth responsive to our potential and in accord with our needs. But the average, which was 4.8 percent 1947-1953 and 5.4 percent 1961-1966, dropped to only 2.8 percent 1969-1984, 2.6 percent 1977-1984, and 2.1 percent 1979-1984. Thus, the average for the entire period 1947-1984 was only 3.4 percent.

It is most disturbing that neither public nor private economic thought and action have been jarred by the stupendous costs of this roller-coaster. During the 21 years 1953-1984, with most of the deficiencies occurring after 1966, the gap between actual and reasonably potential GNP, measured in 1984 dollars, aggregated about 19.5 trillion dollars, or more than five times total GNP in 1984. The gap between actual employment and reasonably full employment averaged more than 5.6 million a year, aggregating 118.2 million excessive unemployment (more than our total civilian labor force now) during the 21 years. This represents the true level of unemployment including not only officially cited unemployment but also the full-time equivalent of part-time unemployment and the dropouts due to scarcity of job opportunity. The true level of unemployment is now almost 50 percent higher than officially cited unemployment, or close to 11 million as against about 7.3 million. Taking account of the rotation of substantial unemployment among different workers within a year, the dependents of unemployed bread winners plus those unemployed who directly suffer the impact come to at least 50 million people within a year.

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[1] President, Conference on Economic Progress. Chairman, Council of Economic Advisers under President Truman.

These staggering losses are vastly aggravated by the widening gap between the house of have and the house of want, greatly increased poverty during the more recent years, and progressive shortchanging of the great national priorities—education, health, housing, aid to the afflicted, repair of the decaying infrastructure, etc.—which depend upon direct Federal aid to the non-Federal sectors both private and public. Such developments have also worsened our international competitive position and worldwide influence.

Manifestly, the primary source of our economic enjoyments and social contentment is how much goods and services we produce and how they are distributed in terms of economic balance and social equity. If our human and inanimate resources are fully employed and sensibly used, nothing else can be going much wrong, and if these resources are not being fully and sensibly used, nothing else can be going much right. Inflation, the Federal deficit, and the condition of our international accounts, although important problems, are not ends in themselves; they are only means of instruments toward achievement of the three supreme purposes of growth, priorities, and justice. The long-enduring determination of national fiscal and monetary policies to focus upon these means and to neglect their instrumental relationship to the ends is an almost inexplicable and incalculable costly distortion of emphasis, and principally explains the debilitating roller-coaster.

The distortion of emphasis is doubly erroneous because placing the secondary matters of means or instruments first has resulted also in egregious failure even in terms of these secondary matters. The poor performance of the economy, measured against full employment and full production, has been the reason for the huge and chronically soaring Federal deficits. The roller-coaster economic performance has been the cause of causes of the chronically rising inflation. Yet, the policy makers continue to attempt in practice the so called "trade-off" between unemployment and inflation although the long-term record makes it crystal clear that more idle plants and more unemployment mean more inflation and vice versa. In any event, to purchase lesser price rises by more roller-coaster is penny wise and pound foolish. Our lack of international competitiveness is due not primarily to the deeds of others, but rather to the shortfalls in our performance at home. The fault has not been in our stars, but in ourselves, as Shakespeare observed long ago.

Most lamentable of all, in terms of its sheer nonsense, is the repeated alibi that we are doing so poorly relative to long ago because the problems confronting us are so much "newer" and "more difficult." If they were, we should rise to the new and more difficult challenges. But in reality, what problems of the recent past and today compare with those we surmounted successfully long ago? What domestic problems compare with those generated by the Great Depression more than 50 years ago, responded to by programs of recovery and reform which permanently accomplished much more good than have ever in so short a period without bloodshed and intense civil turmoil been accomplished anywhere in the world at any time? What recent or current competition of Japanese automobiles or goods imported from Germany or elsewhere have compared with the economic problems imposed upon us by Hitler and Tojo during World War II? In answer to these, we sent armies and navies all over the world and, despite devoting almost half of our national product to fighting the war, we increased production so much and distributed it so equitably that we raised living standards at home more rapidly than ever before, and after the first year stabilized prices? What problems of recent years or today compare with those during President Truman's times, when national policy achieved smoothly and successfully the rapid demobilization of our armed forces, slashed military spending from about 100 billion to about ten billion within a year, beat out swords back into plowshares, met the problems later imposed by the Korean war and the cold war and dealt with labor-management difficulties as severe as any since? Meanwhile, during 1947-1953, the average annual rate of real economic growth was 4.8 percent, average full-time unemployment was 4.0 percent and was reduced to 2.9 percent in the last year, and the average annual surplus (fiscal years) in the Federal budget was 1.6 billion dollars. When, recently have we achieved or even attempted the manifold gains of the great society?

Most amazing in some respects, the national policy makers and the economists inside and outside the government who influence them have offered no meaningful and systematic attempt to analyze why the enduring roller-coaster has occurred. But examination of the long-term experience makes transparently clear the essential nature of the persistent disequilibrium. There is no large lack in the U.S. economy of the ability to expand production adequately or to achieve rewarding technological gains. The focal difficulty has been and still is failure to maintain a workable balance between production and ability to produce on the one hand and ultimate demand on the other hand. This ultimate demand includes both private consumption and government outlays at all levels for goods and services which are called "investment" but are really consumption. Government do not build many plants, and government outlays to enlarge the demand for steel is just as much consumption as the purchase of razor blades.

From first half 1961 to first half 1966, an upturn period, the real average annual rate of advance in investment in plant and equipment was 11.2 percent, while the rate for ultimate demand, which as I have just said includes both private consumer expenditures and public outlays at all levels for goods and services, was only 5.2 percent. Similar imbalances appeared during the period from fourth quarter 1982 to second quarter 1984. Even most strikingly from second to fourth quarter 1984, the respective rates were 11.2 percent and 3.1 percent. Whenever these repeated imbalances over the decades finally made themselves abundantly apparent, the investment rate trended even more adversely than ultimate demand, and these investment cutbacks plus the even larger deficiencies in ultimate demand brought on the ensuing stagnation and recessions. By first quarter 1985, the real annual rate of advance in private consumer outlays was only about one percent, while investment in plant and equipment declined almost imperceptibly.

These imbalances were fortified by imbalances in income flows. From first half 1961 to first half 1966, the real average annual rate of advance in corporate profits (including inventory adjustment) was 10.3 percent, while the rate for wages and salaries (the largest factor in private consumer demand) was only 5.8 percent. From fourth quarter 1982 to second quarter 1984, the respective figures were 40.4 percent and a 5.3 percent, a truly startling discrepancy. To be sure, during the current economic stagnation, profits are dropping sharply, with the prospect of concomitant drops in private investment. But this is merely a repeat of what I have said happened recurrently before, and for the same reasons.

Instead of applying experience and reason to this long record, the application of fiscal and monetary policies and likewise the advisory influence economist inside and outside the Government, have continued to move steadfastly and unvaryingly in the opposite direction. It is superficial in the extreme to attribute the roller-coaster almost exclusively to mistakes in Federal Reserve policies, damaging though these have been, or to the deficit in our international balance of trade which comes to only about 3 percent of our GNP. Fiscal and monetary policies have combined to restrain real economic growth and bring on stagnation and recession in a failed attempt to combat chronically rising inflation. The efforts and the hue and cry to reduce the Federal deficit have failed and will continue to fail because of stunting the goose which lays the golden egg of public revenues, the needed expansion of the economy. The trade deficit is mounting, not because of what or international competitors are doing, but because of what we are not doing. Federal tax and spending policy for many years now is exacerbating the imbalanced by distributing income upward, and by bonanza concessions to private investors and excessive burdens upon those unable to pay. Monetary policy has been extraordinarily restrictive, with a real average annual growth rate 1955–1980 of only 0.2 pecent, and with a negative growth rate 1978–1980 and from second quarter 1984 to fourth quarter 1984.

Based upon reason and experience, what should we do now? We should stop ascribing our recent and current economic and related social troubles to the errors of national policies several decades ago, and also abandon the meretricious claims that we can learn nothing from the successful policies of long ago. None of the troubles of today is due to what the New Deal started 52 years ago, or the Fair Deal started 40 years ago, or the Great Society started still later on, for these policies improved the economy instead of striking hammer blows at the economic and social structure. We should return promptly and vigorously to the original purposes of the Employment Act of 1946, which has become a virtual dead letter for many years. We should put into full effect, instead of blatantly ignoring from the outset, the provisions of the Humphrey-Hawkins Act of 1978, which made more explicit and comprehensive the intent of the Employment Act of 1946. We should put into effect, with appropriate modifications, the national procedures and policies which worked so well during World War II, during the immediate postwar years, and for a few years later on.

Since leaving the Government in early 1953, I have developed, in writing, speeches, and Congressional testimony, models for national goals and their implementation, a method which had worked so well during the earlier periods I have described. My later models have been called a National Prosperity Budget or a National Economic Performance Budget, and year after year I have tested their validity by what has actually happened and readjusted them accordingly.

In light of experience and reason, we need again to set quantitative national goals and adjust specific policies toward their attainment. This was done even during relative peacetime between World War II and the Korean War. Civilian employment should not be goaled to increase by 2.7 million 1985–1986 and 12.0 million by 1990, bringing unemployment down to 4.0 percent by fourth quarter 1990, Walter Heller's interim goal in 1961 and bettered by 1966! Consistent with this and measured in 1984 dollars, GNP should be goaled to increase 1985–1986 about 219 billion dollars or 5.3 percent and almost 1,196 billion or 29 percent by 1990.[2] For balanced growth, consumer spending should be goaled to increase by 28.4 percent by 1990, gross private investment including net foreign investment by 33.8 percent, and government outlays at all levels for goods and services by 27.1 percent. And national policies, as during World War II and during some later periods I have discussed, should be geared to attainment of current goals.

In vivid contrast, and a truly terrifying contrast both at home and as to our position in the world, I estimate that current and projected national policies would mean a real average annual rate of economic growth rate 1985–1990 of only about 3 percent. I estimate the average inflation rate under such developments at 4.3 percent, and close to this in 1990. And continuation of the roller-coaster imports, for 1985–1990, about 24 million more in full-time man-and-woman-years of excessive unemployment and about two trillion dollars less in GNP measured in 1984 dollars, contrasted with achievement of the goals set forth above.

The Federal budget, the most powerful simple instrument of national policy and the main instrument for serving our great national priorities, should be increased from 973.7 billion 1986 dollars in the President's original budget for fiscal 1986 to 1,052.6 billion for fiscal 1986, and 1,178.8 billion for calendar 1990. My model provides that national defense and related outlays should rise considerably, although far less than the President contemplates. Recognizing that conventional economic growth and the achievement of social purposes and equity should not continue to be regarded as conflicting goals but rather as mutually reinforcing, outlays for all domestic programs should rise from 664 billion in the President's original budget for fiscal 1986 to 748.0 billion in fiscal 1986 and 833.4 billion in calendar 1990. In ratio to GNP, the total budget would decline from 23.43 percent as set forth in the President's original budget for fiscal 1986 to 22.14 percent of an adequately growing economy in calendar 1990. Continuation of current national economic policies imports an annual average Federal deficit of more than 175.0 billion during fiscal 1985–1990, and more than 132.0 billion in calendar 1990, while my model estimates and annual deficit of 129.3 billion, and a balanced budget by calendar 1990.

It is high time that we promptly begin to compare alternative Federal budget outlays with the real GNP imported by the differing budgets. During 1985-1990, the average annual difference between the lower and the higher Federal budgets which I have set forth, measured in 1986 dollars, I estimate at 94.4 billion, while the average annual difference in GNP is estimated at 324.5 billion. What could be a more profitable "trade-off" than this?

Today, I do not ask any of you to accept my model in detail. Considerable variations in detail may be practical and realistic; in fact, I change my model from year to year as experience indicates. What I do call for is development and use of a practical model for Federal policy and programs based on experience as well as reason, which moves toward achievement of the best instead of acceptance of the worst, which underscores what America can and should do instead of throwing up our hands in defeatist acceptance of what we cannot afford to tolerate. Above all, Federal policies should be integrated, coherent, and long-range, not random, improvised, and often inconsistent.

The approaches which we have been following for all too long in national policy involve trying to adjust to limited shortcomings in the economy by contriving other shortcomings in response to them. We adjust Federal outlays to what a stunted economy "can afford", instead of adjusting them upward to what a properly growing economy and an aspiring people need and can afford. We try to push consumption downward toward what a repressed investment production base seems able to serve, instead of adjusting both upward in the balance essential to optimum overall performance. When Federal tax receipts are too low to cover the level of public outlays compatible with reasonably full resources and with meeting insistent human and other priority needs, we seek to cut outlays further instead of using the budget to promote the fuller resource use which would increase the tax take. When economic performance is deficient because some part of the economy is weak, we weaken other parts of the economy, although weakening these other parts compounds this original weakness. The bloodletting of a physical nature which hastened the death of George Washington now finds its counterpart in the economic bloodletting of today. In short, our national economic policies are bent upon compounding failures instead of generating successes. We are becoming a nation of what we "cannot afford", instead of a nation dedicated to what we can and must do. We surrender to what is going wrong, and actual national policies aggravate what is going wrong, instead of reversing the process to get things to go right. We attempt Maginot lines against adverse forces, instead of marshalling a pro-prosperity advance.

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[2] Higher than the optimum rates after reasonably full economic restoration. 4.5. percent * * *

I have doubts about only three provisions of H.R. 1398. First, Section 5 (b), lines 9-12 on page 4, in effect takes the position that nonfederal planning should be encouraged "to prevent or counterbalance undue concentration of Federal . . . power. . . ." In fact, we are not now threatened by undue Federal power, but rather by systematic action and propaganda to weaken and reduce the efforts of the Federal government and the impact of Federal action. Local and State action should, as H.R. 1398 provides, be expanded and intensified, not in consequence of nor contingent upon reduced Federal responsibility but rather as a complement to it. Indeed, the great problems with which the bill deals are nationwide. Thus, without more effective, consistent, and rationalized Federal planning, the States and localities are frustrated and lack essential guides as to what to plan for and how. Indeed, realism compels the conclusion that the evolving nature of our economic and related social development imports as increasing role for our Federal Government. H.R. 1398 is really founded upon this proposition. I am deeply concerned about anything in this magnificent legislative proposal which might, like the start of Section 5(b), seem to encourage the tremendous drive and sentiment in the opposite direction which have already done so much harm.

Second, I question on politically practical and also on substantive grounds Section 6(b)(1) on line 8 of page 8, which calls categorically for "reductions in the military budget." A planning statute should mandate ultimate objectives and prescribe techniques for reaching them; it should no more perform the budgetary function of calling for a reduction of the military budget than it should call for increases in other specified items in the budget regardless of timing or circumstance. A planning statute negates its own purpose when it presembles a specific which should derive from the planning process. Under the huge economic slack for many years and now, the economy can afford—and therefore the budget should implement—whatever domestic efforts are desirable plus the military outlays now being projected. If the military budget is to be cut, that should be based upon authorized and expert judgments as to a rapidly changing international situation. It would be most unfortunate, on all grounds, if the very large portion of the American people who believe wrongly that either the domestic or the military budget must be cut should be alienated from potential support of H.R. 1398 because the bill articulates a specific issue that it should—as I see it—omit.

Third, I question Section 5(d)4 on lines 3-6 of page 7, to the effect that the average work week in manufacturing be reduced to "no more than 35 hours." To be sure, a fully performing economy may wisely chose more leisure rather than more output. But a 38 or 40 hour week is neither physicially injurious nor otherwise objectionable; and from where we now stand, even full employment at 38-40 hours will yield far less output than we really need to bring living standards for all up to where they should be, and to meet the other huge gaps in the quantitative and qualitiative supply of goods and services. Moreover, for needed expansion, the economy requires higher total real pay for labor, not just the same pay for fewer hours of work. We should draw upon our proven capabilities to create and maintain full employment in ways which do not attempt this unsuccessfully by less employment per employed person. We are now getting shortened hours of work opportunity, and this is being hurtful for reasons beyond less pay. Again, I recommend that we be on our guard against weakening the prospects for the bill weighing it down with highly contentious items which are really essential to the purposes of the bill.

Mr. Chairman and members of the Committee, despite these few reservations, I applaud H.R. 1398 and will do all I can to increase support for it. More power to those who have devised this measure and are carrying it forward. The response to the timid who oppose may be found in what U.S. Supreme Court Justice Louis D. Brandeis, rated by the American Bar Association as the second greatest member of the Court in all our history, wrote in a dissenting opinion 53 years ago which since has become the law: "If we would guide by the light of reason, we must let our minds be bold." [3]

Mr. **Hayes**. Congressman Martinez.

Mr. **Martinez**. Your last statement, we have to get it before the American people, one of the problems we have had is getting things before the American people. It seems one man in this country has had all the media attention, and as a result, he has perpetrated a big lie that we have got a great economic recovery, whereas the multitude of people have not felt that great economic recovery. A few rich at the top have, but not the bottom.

How—from all your years of experience, and you mentioned that you served Franklin Delano Roosevelt, he brought us out of the——

Dr. **Keyserling**. Franklin Roosevelt.

Mr. **Martinez**. Franklin Roosevelt. He brought us out of the greatest depression this country has ever known, and it had great public support.

How do we actually come—because that is one of the problems we in Congress have, is fighting what I prefer to call the big lie about how great we are doing.

Dr. **Keyserling**. Well, of course, one of the big lies now is that the New Deal did not really do anything for us until we got to World War II. That is a big lie.

Before World War II, the New Deal reduced unemployment more in numbers and in percentages than we have done at any time since. It had great difficulties to face, but it did that, and it did that with far less weaponry than we now have and far less knowledge than we now have.

It is hard to get what needs to be said before the television and the radio and the newspapers, and, now, they are all of one voice. I cannot pretend to have any answers to that, but what I am worried about is you cannot beat something with nothing, and when those who should be representing us get on the radio and get on the television and get into the newspapers and they do, they regurgitate what the opposition was saying and frequently are racing with them to see if they can do more of the same thing because they think that is what the people want. That is what I am talking about.

Now, when the Roosevelt and Truman administrations were succeeded by another, I will not go into the name, which had a very bad economic policy and lifted unemployment from 2.9 percent to 6.9 percent, I had the opportunity, that I had the opportunity is merely incidental, to address about 60 meetings of Congressmen and Representatives called together by their top leadership.

One of the young people who helped at that time was the first chairmember of Congress by the name of Tip O'Neill. Another one was John McCormick and so forth and so on.

I had the opportunity and others had the opportunity to set forth the basis of an opposition program. You do not have that now. You do not have a chance to be heard, and if you cannot be heard, what can you say? And, those who are being heard are not saying the right things.

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[3] *New State Ice Company* v. *Liebmann*, 285 U.S. 311 (1932).

So, all I can say to this subcommittee is that it does not answer your problem, what do you do with radio and television. All I can say is make the effort that you are now making and continue in multiple fashion in the same direction, take what opportunities you have to get the right message to the Congress. I do not think you can do much with the President, but the Congress, the people, so forth and so on.

Get your own lines firm and straight and unified, get them moving in the right direction, and I have enough confidence that the great American people, as before, will come in time to listen.

Mr. MARTINEZ. Well, I agree with you, Mr. Keyserling. You know, we have a recent success story along those lines. You know, Genta was very, very vehemently opposed by the administration. In fact, I remember when the Honorable Gus Hawkins called a press conference when we were going to present it on the floor, and members of the press told us that we did not have a chance of passing that legislation and even suggested that we were using it as a political football to get more Democrats elected.

Dr. KEYSERLING. Sure.

Mr. MARTINEZ. Ron Dellums rose and denounced the press for saying that and saying, you know, we are doing it because it is the right thing to do, because we need to make the Congress aware that it is the right thing to do.

Well, it passed overwhelmingly in the House. Passed overwhelmingly in the House and it passed overwhelmingly in the Senate. The Senate—the Republican-controlled Senate did not have the guts to turn it down. The President did not either. In fact, he signed it in Los Angeles, proclaiming that it was his bill. He did not invite Gus Hawkins to be at the signing of the bill.

So, we did win there, and we did because we made the people aware of how vitally important that program was. I think we can do the same thing again.

Dr. KEYSERLING. You have given me a great example of what can be done if the effort is made, and anyway the effort has got to be made, as Mr. Winpissinger said, there is no alternative.

Mr. MARTINEZ. That is right.

I would like to ask Greg there, you know, the plant closure that you are talking about, you know, you describe in essence what we are trying to do with the plant closure bill that we are trying to get passed. Adequate notice and warning of a plant closure, in a lot of cases, gives us an opportunity to save the plant, and I assume from your testimony that you are very near success in saving that plant; is that true?

Mr. LEROY. I wish I could say that. The feasibility study that was done by Arthur B. Little Co. of Cambridge, MA, laid out two or three alternative uses for the plant, but, unfortunately, all of those uses called for drastically reduced work forces at the plant.

Just about 6 years ago, the plant employed 2,000 people; they are down to 600 now and the reasons that were laid out by the plant talk about 250 to 300 jobs. That is with substantial public sector investment and some substantial risks trying to enter new markets with new products.

Mr. MARTINEZ. Well, I wish you success. The reason I was interested in that is because we had in my district, Bethelehem Steel closed, and a local is now nonexistent, and they are using the local headquarters for other uses, mostly in the area of social programs to help some of these people that have been displaced and still have not found employment, help them with their own financial problems and et cetera.

It is tragic to see, you know, a union hall that had been very active just about darkened, completely darkened, and the people that were vital, productive human beings just picking up whatever little they can anyway they can, and the pride that goes out of people when they have lost their employment, and it really is tragic there.

And, so, I would urge you to work as hard as you can to save as many of those jobs as you can, but keep me apprised of what happens there.

Mr. LEROY. Will do.

Mr. MARTINEZ. Thank you.

Mr. HAYES. Congressman Conyers.

Mr. CONYERS. Thank you, Mr. Chairman.

I knew there was a reason that I came to Chicago other than I like to come to this city, and the reason is that Dr. Keyserling has examined as critically as he always does this proposal and has waded in on the side of it.

I was hoping that he would, and I feel even more comfortable in my efforts that we are going to make toward the bill, and I suppose that one of the highlights of this hearing will be the statements and the reflections and the admonitions that you have given us in the course of analyzing the bill.

Maybe along the way, we might reconsider the 1 percent military conversion. There is clearly a need to shake up the Department of Defense, even in these minor ways.

I am not at all sure that we need to back off of the concept of a shorter work week at the full earning potential. The bill I have introduced for years calls for mandatory double time for overtime. But, those are relatively small things.

What is far more important is that we gain the insight of 50 years work in politics and economics that we understand that we have to hold more of these hearings, that we have to win more of our colleagues, and we have to educate the American people.

It is not for me to go over historical matters that I read about and that he was there over matters of the New Deal and so forth. I think they are not that critical. But, if we are going to talk about the dilemma we are in, how we got there, how we got out, I have to let in to the record the observation that, one, the labor movement in the United States is the only labor movement in western society that does not have a political party, and the political party that it claims it nominally has, is the one which, as we meet here, talking about bringing in more labor, is the party which is talking about further excluding labor.

The Democratic Party that you talk about, that is so important and traditional in the role of working people, poor people and minorities, is not planning to incorporate them in larger numbers. They are disinterested in their presence.

They continue to hold on to the political notion that we must fight to sit between the two parties who gain dominance over the middle of the road in American politics. Much of the labor movement does not even want to organize the unorganized, much less bring more of them in, and if you think that economics can be made understandable for the people, that is a proposition that you have expounded for quite a long time, I have come to believe it because I, myself, understand it much more clearly, thereby making it clear in my mind that everybody else can also understand it.

I can tell you that we can make it just as easy for you to understand what weapons we need and what weapons we do not need in our system. No big deal. As a matter of fact, some of the people at DOD have less understanding of this than we do. They are just hustling for their corporate mentors' contracts.

I mean, it is strictly business. It has nothing to do with defense. So, this has been a highlight of this hearing and more than makes worthwhile my visit to this city which I have come to like and admire so much.

But, inside the Congress, since you have touched on this, let us be honest. Since where we are going to get this new leadership in a system that is replacing a leadership that I have loved and supported so much, that for half the time during the first administration of Reagan forget whose side they were on. You know, we gave them the tax cut, they did not take it from us, and you know that as well as I do.

But, look where we are going. Somebody, certainly not me, has got to point out that you cannot elect Democratic leaders from districts that are in the process of turning Republican and expect anything different, but from those so-called leaders to start acting to really represent the constituentcy they think they represent. That is to say that unless you elect Democrats to Democractic positions of leadership, you ain't going to get too much, other than what you have been getting for these last period of years.

So, you have opened up enormous but vital subject, and I have always admired you, sir, for being able to, first of all, pierce the intellectual nonsense that has hung around the subject of economics for far too long, and have it make sense, but also to not be afraid to join the political connection that is necessary if we are going to ever get anywhere.

These things do not operate separately, and there is not an outsider view in Gross and LeCochman. There are, thank goodness, a few more emerging. They like to talk about economics in ivory towers. It is something you come down on and write a book about and throw out that Ivory Tower and then go back in and in another decade, you come back and do another one.

But you have tied these things up, and that is probably what is going to make these hearings historic. We have to make sure that they get distributed, not just to citizens, but to Congressmen. Half the Members of the Congress do not understand what has been going on in Chicago this morning.

Another great number of them do not want to understand. They are afraid to understand the implications of what is being discussed here. That is why this is the most important subject matter that anybody in Federal Government can bring to the public's attention.

We have one television camera here. Now, that school strike is not that important. Do not give me that. You have six reporters here, and four of them are gone. Do not give me that. What we are doing here today, Mr. Chairman, is challenging the most fundamental economic principles along which this system is established and they do not want to hear. That is why you have not got the cameras and the press.

If you were holding a hearing on child pornography, you would have every damn camera in Metropolitan Chicago here with lights blinding you. If you were holding a hearing on food stamps scandals, you could not keep them out of this room.

Mr. HAYES. That is right. I know it.

Mr. CONYERS. But what you are doing is challenging the fundamental premises on which the Federal Government has been sleeping for 30 years. They do not want to hear it. They cannot afford to print it. They do not want to know. Do not print what Keyserling said. He is old and he is retired and he used to be, so what difference does it make.

And, until we begin to join up this political activity with these economic truths, we are going to keep limping along and there will be a few critics who will jump up there, and yes, the grassroots organizations, God bless them, somehow manage to persevere, and yes, the Lucys and the Winpissingers, although there are not many of them around in the labor movement anymore, you know, they will be hanging out there, but we will keep going on.

And, so, this gives up this opportunity to focus in on all of these questions that will make not only a better America, but it may allow the planet to be without blowing it up.

So, I want to thank Dr. Keyserling and this panel for joining us here this morning.

Mr. HAYES. Thank you, Congressman Conyers, and the panel that is here before us.

I could have some questions that I would raise but in the interest of time, I think it is better that I do not do it. As I said at the beginning, we do have a pretty full schedule, and we have got two other panels to hear.

My problem is really a delayed one because people who vote for me, many of them are looking for me out there where they are this afternoon, and I do not want to be caught in the position where I lose votes for re-election. Somebody in my opposition starts campaigning that Charlie Hayes took his hearing downtown to the Federal building and did not have time to come out here where the real victims are. I intend to go out there, but that is my problem, which I will handle.

I did want to make a statement in answer to some of the criticisms that have been raised as to H.R. 1398. It is not a perfect bill. It never was intended to be a cure. But, at least it is a beginning to try to, hopefully, focus attention on what is a great problem that faces this nation of ours, unemployment.

It begins to expose what I call the "big lie". When the administration and some of its supporters and even some members of my party is willing to accept the fact, the statement that things are a lot better, we have turned the corner. Unemployment has bottomed out.

The condition of the American public to accept 10 million people unemployed as full employment. This is the direction we are going in and H.R. 1398 begins to turn it around and begin to put the Federal government at least in the position. They recognize there is a problem that has to be dealt with.

It is true that we have to at least convince some of our colleagues in Congress. I get disgusted with some of them who spend a whole hour, hour and a half, discussing how we can eliminate 14 elevator operators' jobs in the House Office Building, and save $105,000, and, yet, the week before we spend $1.5 billion for nerve gas, which we intend to bury.

These are the kinds of things that I think that people do not know, that they ought to begin to know, and it at least focuses some attention on the voices and the plight of the voices in this country.

Four percent unemployment is not the end. If we can reach that point, there is nothing to keep us from moving and continuing to move to reduce unemployment, really come to the point where we have full unemployment in this society of ours.

Youth unemployment, youth unemployment bill there, the one that takes us in the wrong direction, one that focuses attention on the subminimum wage in order to solve their unemployment problem among our youth, reduce it from its current too low level of $3.35 an hour to $2.50 an hour, trying to convince people and have convinced some that this would solve the youth unemployment problem. This is wrong. I am opposed to it. It is not a part of this bill.

You are looking at a person who was a youth during the Roosevelt period. One who sat out trees on the Mississippi River in the western part of the State of Illinois as part of the Civilian Conservation Corps. This is the kind of thing, these are the kinds of programs that at least I would like to see resurrected, and I think this is what Dr. Keyserling was talking about, and at least we can begin to focus attention in this direction.

Sure, it is conscious of the whole budget problem. First thing they holler is opposition to this bill, this is going to reduce—increase production. This is not true. This bill itself, if really implemented, is going to be revised. I just hope it gets to the point where they can tear it to pieces and come up with some kind of solution to the problem. Pride of authorship means nothing to me. A solution to the problem does, and that is what it is all about.

I want to thank you gentlemen for appearing here and God knows we are in a fight in order to get to the point where we can begin to get focused attention and people who have the power to do something in the direction of helping people who need help. They need help. Thank you very much.

The next panel.

[Pause.]

Mr. HAYES. Mr. Compton, panel No. 2, Chicago Urban League; Mr. Jordan, executive director of the NAACP; Mr. Lucy, international secretary Treasurer, American Federation of State and Municipal Employees; and Manuel Bedella, community organizer, United Citizens Organization Committee, and Mr. Lumpkin.

Now, I would like to impress upon you, gentlemen, the fact that we do have copies of each of your statements and the entire copy will be inserted into the record. If you would give us the highlights of your testimony, it will conserve the time necessary to enable us to complete our hearing here today.

The chairman has just informed us his schedule requires him to go to the airport to catch a plane, and we are going to have to carry on without him, which is understandable. So, whenever you have to leave, Congressman Martinez, it will be understood the reason why you left.

Mr. MARTINEZ. Thank you, Mr. Hayes.

Before I do leave, I just wanted to say hello to Mr. Lucy again, and tell you that, you know, the tape of the show we did, I have it if you ever want to come to Washington.

Mr. HAYES. Mr. Compton, we will begin with you.

STATEMENT OF JAMES W. COMPTON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, CHICAGO URBAN LEAGUE

Mr. COMPTON. Mr. Chairman, my Congressman, Congressman Hayes, and Congressman Conyers, to the departed chairman, Chairman Martinez, I am James Compton, president of the Chicago Urban League, and it is again my privilege to come before you to engage in the national dialog of what must be done to restore our economy and address the bleak prospects for jobs and economic security facing too many Americans.

From its birth 69 years ago, Chicago Urban League has engaged its energies and resources in the task of creating a just society. It is in that context that I present my testimony.

Chicago, like many of our Nation's large urban centers, was especially victimized by the recession. Our city's working age population has grown by 9 percent since 1979, but its job base has shrunk by 2 percent.

In 1984, only one-half of Chicago's working age population was at work, and less than half its nonwhite working age population held jobs. With an official unemployment rate of 21 percent, only 16 percent of nonwhite teens had jobs, and only 3 in 10 were still actively participating in the labor market.

In the midst of this crisis and probably contributing to it, dramatic structural changes have taken place in our economy. Manufacturing is declining and service industries are growing. Robots are replacing and displacing workers on assembly lines, and jobs are shifting from cities to suburbs, from Rust Belt to Sun Belt, and out of the country all together.

Congressman Hayes' income and jobs action bill of 1985, H.R. 1398, offers a well articulated set of principles to create the foundation for jobs and America's economic rebirth.

H.R. 1398 upholds the basic tenet that employment is a precious right to which every able-bodied American is entitled. It also assures a moderate standard of living as defined by our Nation's level of productivity and material wealth, to all persons who are unable to perform paid employment.

The bill, while calling for a new—no new appropriations, recognizes that desired economic results, such as full employment and sustainable economic recovery, can only be obtained through the institutionalization of planning and adoption of policies and practices consistent therewith.

The conversion planning fund provision of H.R. 1398 at a modest minimum of 1 percent of military appropriations calls upon the President to make specific proposals which would then be administered by such agencies as the President shall determine.

I believe this aspect may be strengthened if there were some assurances that local, State, and regional agencies would also be included in the administration of the conversion planning fund.

This would offer a skillful combination of all levels of expertise, while availing the temptation, I believe, of political expediency, which may result in the neglect of interest of certain economic as well as territorial units.

Congressman Hayes, I take this opportunity once again to state my belief that the albatross weighing down any hope of sustained economic recovery is military spending. The evidence is clear and convincing that dollars invested in the civilian sector create more in terms of social and economic value than those plowed into the military.

A $1 billion investment in the civilian sector, a fraction of 1 percent of the current military budget, would create 70,000 jobs. This represents about three times the number created in the capital-intensive military sector with the same level of investment.

Therefore, today, I especially applaud the implementation section, 6(b), of H.R. 1398 because it calls for reduction in the military budget. Another provision of H.R. 1398 calls for the restoration of sanity and equity to our tax structure by curbing the unprecedented upward redistribution of income and eliminating wasteful expenditures and loopholes in our tax reform.

Section 6(b) also contains equally sound provisions for fiscal implications. These include policies on debt repayment, deficit reduction, efficient use of the vast public and private pension funds, and the creation of private and public development banks, targeted to areas of high unemployment and poverty.

In conclusion, I reiterate my support of H.R. 1398. I support its wisdom and practicality, its goal and timetables are realistic, and what this measure offers is hope to millions of Americans where none now exists. It adds a tangible dimension to political democracy by placing freedom on an economic base, and, hopefully, it will also steal the tendency to fill the void in economic policy with even emptier rhetoric.

Therefore, you may be assured of both my personal and organizational support in your legislative struggle to provide American citizens with fruitful paid employment or adequate income and the opportunity to pursue and secure human happiness.

Thank you for this opportunity.

[Prepared statement of James W. Compton follows:]

PREPARED STATEMENT OF JAMES W. COMPTON, PRESIDENT, CHICAGO URBAN LEAGUE

Mr. Chairman, Congressman Hayes and other distinguished members of the House Committee on Education and Labor, I am James W. Compton, president of the Chicago Urban League. It is once again my honor and privilege to come before you and engage in the national dialogue on what has to be done to restore our economy and address the bleak prospects for jobs and economic security facing too many millions of Americans.

From its birth 69 years ago, the Chicago Urban League has engaged its energies and resources in the task of creating an open, integrated and pluralistic society. Today, the historic vision of the league's founders is kept alive and pursued through research, direct services, advocacy, negotiation, and interracial cooperation.

Our struggle for a decent standard of living for all citizens, regardless of race, ethnicity and other personal characteristics, is fought on many fronts.

The league's portfolio of involvement spans the spectrum of promoting quality education, decent and affordable housing, affirmative action and equality of opportunity in the employment market, political empowerment to enhance participatory democracy, and economic development to arrest conditions of blight and decay eroding our inner cities. Our commitment also extends to participation in viable partnerships with the governmental, business, labor, and civic sectors to address problems that stifle economic growth and waste our human capital. It is my opinion that unemployment contributes to both of these factors.

Chicago, like many of our Nation's large urban centers, was especially victimized by the recession. Even official Government reports, which invariably understate the entent of the problem, placed Chicago's unemplyoment rate at 7 percent in 1979. This climbed to 17 percent in 1982. Disproportionately among the unemployed were blacks, particularly black youth, and single-parent, largely female, heads of household. Non-white unemployment soared from 11 percent in 1979 to 26 percent in 1983, the so-called year of "recovery". While white teen unemployment has fluctuated between 20 percent and 30 percent over the last six (6) years, non-white teenage unemployment ranged between 40 percent and 66 percent.

In 1984, with Chicago's official unemployment at 21 percent, only 16 percent of non-white teens had jobs and only about three (3) in ten (10) were still actively participating in the labor market.

Chicago's working-age population has grown by 9 percent since 1979; but its jobs base has shrunk by 2 percent. In 1984, only about one-half of Chicago's working-age population was at work and less than half of the non-white, working-age population held jobs.

In the midst of this crisis, and probably contributing to it, is the fact that dramatic structural changes are taking place in our economy. Manufacturing is declining and service industries are growing. Jobs are shifting from cities to suburbs, from "Rustbelt" to "Sunbelt" and out of the country altogether. The rapid application of modern methods to production is leading in many instances to displacment and dislocation of the human element.

Robots are replacing and displacing workers with flesh and blood on assembly lines. Technology, in many instances, has been elevated to master instead of being subordinate to the needs of human society. These are disturbing trends which heighten the need for a comprehensive, coordinated and planned approach to the management, development and allocation of our human, natural and financial resources.

Congressman Hayes' "Income and Jobs Act of 1985" (H.R. 1398) offers a well-articulated set of principles to create the foundation for America's economic rebirth.

H.R. 1398 upholds the basic tenet that employment is a precious right to which every able-bodied American is entitled. It also assures a moderate standard of living, as defined by our Nation's level of productivity and material wealth, to all persons who are unable to perform paid employment.

The bill recognizes that desired economic results, such as full employment and sustainable economic recovery, can only be attained through the institutionalization of planning and the adoption of policies and practices consistent therewith.

Planning ensures the most expedient utilization of material, labor and financial resources, efficient organization of information, research and development, training of personnel, and the least disruptive integration of the latest achievements of science and technology into industry.

In sum, careful planning at all levels creates the opportunity for raising labor efficiency, fuller involvement of the able-bodied population, improving the quality of production, providing better services, advancing culture, science, and education. The end result would be an integrated, well-balanced economy which eliminates the local and regional disproportions and dichotomies such as exist between cities and suburbs, urban and rural areas, "Sunbelt" and "Rustbelt".

The conversion planning fund provision in H.R. 1398, at a modest minimum of 1 percent of military appropriations, calls upon the President to make specific proposals which would then "be administered by such agencies as the President shall determine". I believe this aspect may be strengthened if there were some assurances that local, State and regional agencies would also be included in the administration of the conversion planning fund. This would offer a skillful combination of all levels of expertise, while avoiding the temptation of political expediency which may result in neglect of the interests of certain economic areas and territorial units. Such an amendment would contribute toward further instilling the principle of comprehensive economic development on the basis of nationally organized cooperation. It will also afford an expanded sphere of planning to local and State governments and regional institutions on such matters as capital construction, financing, labor and wages, and the appropriate location of enterprises.

To achieve the optimum level of viable economic planning requires the meaningful partnership of the broadest cross-sections of citizens, large and small businesses, labor, and other representative organizations. All must be provided the opportunity to critically assess conditions and problems specific to their own communities while not becoming blind to the needs of the overall national economy. The best course of action would emerge as a by-product of sustained dialogue and input from all sections and at all levels.

The concept of built-in incentives to local and State governments for creative planning initiatives is a sound one. Hopefully, what would be initiated are plans for rebuilding our infrastructure, cleaning our environment, preserving our natural resources, and developing our human capital.

I take this opportunity to once again state my belief that the albatross weighing down any hope of sustained economic recovery is military spending. With this astronomical level of expenditures for researching, developing, testing and mass producing weapons of destruction our best of plans for a healthy economy will be rendered moot.

The evidence is clear and convincing that dollars invested in the civilian sector create more, in terms of social and economic values, than those ploughed into the military sector. A $1.0 billion investment in the civilian sector, a fraction of one percent of the current military budget, will create 70,000 jobs. This represents about 3 times the number created in the capital-intensive military sector with the same level of investment.

These civilian jobs will absorb able-bodied unemployed workers, decrease governmental expenditures for such programs as unemployment compensation, aid to families with dependent children, food stamps, medical care, and criminal justice enforcement. In addition to these savings, our Nation's productivitiy will be increased, along with the rising demand for goods and services, and so also would its tax revenue.

It is obvious that our Nation must consider "rational security", based upon legitimate and cognizable goals and objectives, as an alternative to the overbroad, but yet to be clearly defined, concept of "national security". In this regard, I believe that voices must be raised so that the black community has input to both budgetary and deployment decisions of the military.

Little, if any, elaboration is necessary to prove the correlation between high civilian unemployment among black youth and the tendency to view the military as an employer of last resort.

Since the All-Volunteer Force was instituted, there has been a phenomenal increase in black representation in the ranks of active duty, uniformed military personnel. Blacks now number 430,000 in a force of 2.1 million, or 19 percent of the total. This is a significant over-representation given the fact that blacks make up 12 percent of the total U.S. population, according to data provided by the census. About 56 percent of blacks eligible to re-enlist in the armed services do so, as opposed to 36 percent of eligible whites.

Mr. Chairman, I especially applaud the implementation section, 6(b) of H.R. 1398 because it calls for reductions in the military budget. This budget has decisively contributed to the most severe recession in 50 years and the largest deficit in our Nation's 200-year history.

It is obvious that these super appropriations for military purposes work against the goal of lowering interest rates and reducing the scandalous deficit. In all likelihood, precipitous increases in military expenditures, according to most observers, will have a detrimental and inflationary impact. These will create bottlenecks in other sectors of the economy, as the military sector absorbs gigantic amounts of capital and material resources without either creating significant amounts of jobs, relative to the massive capital outlays, or products with use or utility value in the civilian sector.

Another provision of H.R. 1398 calls for the restoration of sanity and equity to our tax structure by curbing the unprecedented upward redistribution of income and eliminating wasteful expenditures and loopholes in our tax laws.

Section 6(b) also contains equally sound provisions with fiscal implications. These include policies on debt repayment, deficit reduction, efficient use of the vast public and private pension funds, and the creation of private and public development banks targeted to areas of high unemployment and poverty.

In conclusion, I reiterate my support for H.R. 1398. Its wisdom and practicality are irrefutable. Its goals and timetables are realistic.

What this measure offers is hope to millions of Americans where none now exists. It adds a tangible dimension to political democracy by placing freedom on an economic base. Hopefully, it will also still the tendency to fill the void in economic policy with even emptier rhetoric.

You may be assured of my personal and organizational support in your legislative struggle to provide every American citizen with fruitful paid employment, or adequate income, and the opportunity to pursue and secure human happiness.

Thank you.

Mr. HAYES. Mr. Lucy.

STATEMENT OF WILLIAM LUCY, INTERNATIONAL SECRETARY TREASURER, AMERICAN FEDERATION OF STATE, COUNTY & MUNICIPAL EMPLOYEES

Mr. LUCY. Thank you very much, Mr. Chairman.

Let me join the commendations that have been given to this subcommittee in its work by others who have appeared here before you. I suspect, having the opportunity to speak following Dr. Keyserling's presentation, leaves me in the enviable position of arguing in support of the principles he laid out in his statement.

The legislation before your subcommittee today is optimistic in the best sense of the word. It assumes that if we set goals, plan ahead, coordinate our efforts, and are willing to learn from our past, that we can be successful. This legislation would have the Nation take one of its long-standing goals very seriously, a full employment economy providing a decent job for every person able to work and decent living conditions for those unable to work.

This Nation has considerable experience with such programs as emphasized by Dr. Keyserling. Experience that should help us if we are willing to apply that experience to the future, and if I could just take a moment and look briefly at that experience.

By the late 1950's and early 1960's, our postwar economy had made the United States the preeminent economic power in the world. It was then that the public, our President, and Congress began to realize that even the best economic system, while booming, cannot achieve certain social goals.

By itself, the private economy did not protect the environment or the health and safety of workers. It did not eliminate discrimination or provide all with an equal opportunity. Nor did it secure basic standards of living for every household.

During the next 15 years, this realization, and you will remember some political agitations, led to legislations attempting to correct these problems. Civil Rights Act, Occupational Safety and Health Act, and Environmental Protection legislation.

Most massive national financial efforts during this period went to addressing the needs of the poor and the infirm, those the economy operating at its best, had left behind. These efforts to alleviate poverty were tremendously successful.

Between 1960 and 1975, the number of Americans struggling to survive below the poverty line dropped from almost 20 percent of the total population, roughly 1 in 5 Americans, to somewhere between 4 and 8 percent of the overall population. Poverty had been cut in half in a short 15-year span. True, our private economy created an outstanding number of new and meaningful jobs during this same period, however, these new jobs came just in time to accomodate the entry of two new groups into the labor force.

Members of the baby boom generation began to leave school and look for work during this period, and women, freed by changing social values, began to enter the work force in increasing numbers.

While our economy must get some of the credit for the reduction in poverty during this period, it did its best work creating employment opportunities for women and the postwar generation. The period between 1960 and 1975 was the time of economic growth, it was also a period of stiffening job competition as younger workers and women entered the work force.

It was an employer's, not an employee's, market. An expanding work force allowed employers to pick and choose. They chose not to hire the elderly. They chose not to hire the infirm, single women with children at home, and black teenage males. Anyone they thought might leave after a short period or add to their health care costs or have a high rate of absenteeism or otherwise become troublesome.

It was these groups that the antipoverty program of the 1960's and 1970's did the job that the economy could not do. The vast majority of this lifted out of poverty were the elderly, the infirm, black inner-city youth, female head of households, especially those headed by younger women and children. Hundreds of thousands of children.

Increases in aid to families with dependent children, supplemental security income, Social Security, and unemployment insurance provided additional income, increased appropriations for public housing and rental supplements along with the establishment of Medicare, Medicaid, child nutrition programs and food stamps, contributed to the basic needs of those who could not work.

The Manpower Development and Training Act and its successor, the Comprehensive Employment and Training Act, provided educational training, and employment opportunities for those who sought to work but whose skills had become obsolete or who lived in a city or region bypassed by the economic expansion.

MDTA and CETA also aided those who, because of discrimination, had never had the opportunity to acquire skills on the job or gain work experience. These programs, people who could not work, mostly the elderly and children, had little money to spend.

Rural and urban starvation and hunger decreased. The poor began to see doctors and nurses, some for the very first time in their lives. Infant mortality rates, especially among blacks, dropped. The number of overcrowded and substandard housing units declined. Federal intervention brought similar gains in environmental protection, occupational safety and health, and civil rights between 1960 and 1975.

Looking back, and we can say that this was a period of national political accomplishment, and national economic accomplishment, like most human endeavors, these accomplishments were flawed. Not all of the programs were designed as well as they might have been, and no goals were completely or unambiguously obtained, but the accomplishments were real.

These are accomplishments that we can build on in the future. Unfortunately, the Nation, as a whole, was not prepared to be proud of its success in eliminating poverty. During the last years of the Carter administration, as was pointed out by a prior testifier, the Federal Government began to reduce its support or antipoverty strategies and programs.

The Reagan administration has made the elimination of all vestages of these efforts one of its primary goals. I do not want to speculate today on what factors have contributed most to the apparent general acceptance of this sorry dismantling of successful domestic programs.

I will say, however, that it cannot be for the often repeated argument that these programs did not work. We have to look behind this verbal facade to another side of the American character. To understand this retreat from victory, we must examine an apparent unwillingness to support the elimination of poverty rather than focus on the isolated failures of specific programs or initiatives.

As some in the military say about the war in Vietnam, the tools for victory were there, the political will was not. Hopefully, legislation like that before us today, if and when the political will returns, will allow us to pick up the tools of the sixties and seventies and put them to good use again.

Hopefully, when we do this, we will be smart enough to look beyond the experiences of our generation to those that preceded us as well. The accomplishments of the 1960's and 1970's were built upon programs begun two generations earlier in the 1930's.

In the sixties, this Nation realized that a strong economy failed to benefit all, and in the thirties, it learned that left to its own devices, the economy could not resist severe recession. We learned that if our democratic goals and our free economy were to survive, the elected government of all the people would have to intervene on behalf of some and impose regulations upon others.

We are now celebrating the 60th anniversary of some of the programs and regulatory structures established in response to the Great Depression. In the sixties and the seventies, we were able to take direct advantage of some of these existing programs, among them Social Security, public housing, aid to families with dependent children, the employment service and unemployment insurance.

If these programs had not been in place, we would have had to invent them and our task would have been even more difficult. Sometimes, we forget the importance of this base from the 1930's, sometimes, we take for granted that a program's general effect on income and employment, sometimes, we forget that it is regulatory restraints on business speculation to protect large and small investors, as well as employees from the excesses of others.

We should not forget, because the enemies of antipoverty and employment programs of the 1960's and 1970's are very aware of the importance of the 1930's. Their goal is not only to dismantle the superstructure built during the sixties and seventies, but to dynamite the base laid during the 1930's.

Today, our union and many others is carefully monitoring two attempts to destroy important pieces of the 1930 legacy. The first involves opposition to the only Federal legislation that actively encourages the employment of people, the Fair Labor Standards Act, the Nation's basic minimum wage and hour law; the second attempt to attach a balanced budget amendment to the U.S. Constitution, which strikes at the very capacity of the Federal Government to intervene to protect the citizenry from economic failure.

Now, Mr. Chairman, I have to deviate just a bit from my comments here to simply respond to an earlier comment by the Senator from the State of Illinois, in his comments to this panel, and I find it somewhat hypocritical, and I openly and honestly say, that the Senator who leads a charge to balance the Federal budget and the kinds of programs that we are talking about here require Federal intervention in order to achieve some positive results.

It seems to me it would be a gross contradiction or the height of hypocrisy. How can you, in an atmosphere of a $200 billion budget, balance it, when the only place left to take from funds to balance it is from the domestic economy? If there are no jobs programs onstream that will expand to the point to where people have income to pay taxes, then the only thing that the balanced budget amendment will do is to force the Government to retrench itself.

In the course of doing that, increase unemployment, which will place a demand higher on the Federal Government, higher on local government, with the end result of economic chaos, and I must say to the subcommittee, I am somewhat appalled that the question was not put to the Senator that how can you, as the leading Democratic spokesman, at a time when the unemployment level, as pointed out by Dr. Keyserling, is 11 percent, and 2½ times that in the black community and among black youth, how can you support a balanced budget amendment, knowing full well that the implications and the impact of that will be so distorted on the very people we are attempting to help?

When we talk to citizens in the community, no wonder there is a failure to respect the Democratic leadership because it speaks with a forked tongue on issues that are so critical to the well-being of the American public.

Mr. CONYERS. Excuse me. Are you referring to the provision that would make it a constitutional—make it constitutionally mandatory for the Federal Government to balance its budget?

Mr. LUCY. Yes.

Mr. CONYERS. That would become not a law, but a part of the U.S. Constitution.

Mr. LUCY. The Senator, with a bipartisan effort with Senator Orrin Hatch, is supporting the constitutional amendment that would make it impossible for the Federal Government to spend more than it takes in. That is the frame work within which a balanced budget takes place.

Well, it then becomes a reality. Then, the inability of the Federal Government to play out its natural role as a partner in economic activity will have devastating consequences throughout this country, and on a congressional district such as the chairman, the first congressional district, which already suffers disproportionately, as a result of the lack of jobs, would be even greater impacted, and it seems to me that this is the forum where those kinds of discussions ought to take place.

I regret that the Senator is not here, but I am hopeful that somebody will tell him what I said because——

Mr. HAYES. Do not worry. He will get the message.

Mr. LUCY. I hope so, because——

Mr. HAYES. Our silence on this issue did not, by any means, indicate agreement with that position. I see it as very farfetched to achieve that, even with the current composition of the body of which I am a part of. I do not know whether Congressman Conyers shares my opinion.

There has been some discussion about this. I am a little bit surprised that Senator Simon is pursuing this in conjunction with Senator Hatch, but certainly I do not agree with that position.

Mr. LUCY. Let me apologize.

Mr. HAYES. No, no. Go ahead. You need to get on the record, and you have done a good job in doing that.

Mr. LUCY. Well, let me just say, let me continue on, and I will conclude in just a moment.

But, again, those two issues, the minimum wage and the balancing of the budget amendment, are serious economic questions confronting the Nation as a whole, and certainly you and I recognize an employer, given the opportunity, would naturally pay their employees the lowest possible wage and desire that that wage be at least a living wage.

Congress itself adopted the minimum wage provision, recognizing and preventing employers from exploiting workers. Similarly, that employers would prefer to work current employees longer hours than to hire additional employees and desire a full employment economy.

Congress adopted the overtime provisions in the Fair Labor Standards Act, which require employers to pay premium pay or extra hours, therefore, making it, theoretically, making it more expensive for them to work involuntary overtime as opposed to hiring the required number of employees.

We at AFSCME are concerned about preserving the integrity of the Fair Labor Standards Act because it does, in fact, help to stimulate employment. We think that any one supportive of full employment economy should share these concerns.

In conclusion, Mr. Chairman, let me just go in one other area, and that is the theory that the existing Federal deficit precludes the Federal Government from getting involved in manpower development programs because we have to correct that situation.

The crime of the current administration, and I say the crime, it is not the deficit or even deficit spending, the crime is the extent of the deficit and their purpose.

Now, we are sitting on a $200-billion time bomb that this administration is asking the average American to shoulder the burden for it. At the time it came in to office, the Federal deficit, as you are well aware, was something approaching $50 million in 1980. It has tripled in 4 short years and as the projections go, it will be doubling itself, if current economic programs are on stream.

We will never have, unless Congress moves on its own, any resources to provide education, training, and training opportunities for people with the current economic thinking of this administration.

It is incumbent upon you gentlemen in the House and in the Senate to put some sanity in to where this Nation ought to be investing its resources. The GI bill was not a gift, it was an investment. The theory being that educated workers earned more money and, therefore, paid a larger share of the economic burden of administering this country.

The same logic ought to apply here. If people are working, they will pay taxes, they will support local government, regional government, State government, and the Federal Government.

People who are not working supports nothing, but lives off those who are, and it seems to me incumbent upon this subcommittee to pursue not only the bill that you have introduced, Mr. Chairman, but the concept of a full employment economy.

Thank you.

[Prepared statement of William Lucy follows:]

PREPARED STATEMENT OF WILLIAM LUCY, INTERNATIONAL SECRETARY-TREASURER, AMERICAN FEDERATION OF STATE, COUNTY & MUNICIPAL EMPLOYEES

My name is William Lucy. I am Secretary-Treasurer of the American Federation of State, County and Municipal Employees. I am delighted with this opportunity to appear before you today in the great City of Chicago.

I'd like to take this opportunity to point out that AFSCME is growing in Illinois. We now represent over 50,000 public employees throughout the state. Next June our union will hold its International Convention here in Chicago. We expect almost 3,000 elected delegates from across this nation to attend.

The legislation before your Committee today is optomistic in the best sense of the word. It assumes that if we set goals, plan ahead, coordinate our efforts and are willing to learn from our past that we can be successful. It would have the nation take one of its long-standing goals seriously, a full employment economy providing a decent job for every person able to work and decent living conditions for those unable to work. This nation has considerable experience with programs and policies designed to move towards this goal, experience that should help us if we're willing to apply it to the future.

Let's look briefly at that experience.

By the late 1950's and early 1960's our post war economy had made the United States the pre-eminent economic power in the world. It was then that the public and our Presidents and the Congress began to realize that even the best economic system, while booming, could not achieve certain social goals. By itself the private economy did not protect the environment or the health and safety of workers. It did not eliminate discrimination or provide all with an equal opportunity. Nor did it secure a basic standard of living for every household.

During the next fifteen years this realization and, you will remember, some political agitation, led to civil rights, occupational safety and health and environmental protection laws. The most massive national financial effort during this period went to addressing the needs of the poor and infirm, those that the economy, operating at its best, had left behind.

These efforts to aleviate poverty were tremendously successful. Between 1960 and 1975 the number of Americans struggling to live below the poverty line dropped from almost twenty percent of the total population, one in five Americans, to somewhere between four and eight percent of the population. Poverty had been cut in half in fifteen years.

True, our private economy created an astounding number of new and meaningful jobs during this same period. However these new jobs came just in time to accommodate the entry of two new groups into the labor force. Members of the baby boom generation began to leave school and look for work during this period and women, freed by changing social values, began to enter the workforce in increasing numbers. While our economy must get some of the credit for the reduction in poverty during this period, it did its best work creating employment opportunities for women and the post war generation.

The period between 1960 and 1975 was a time of economic growth but it was also a period of stiffening job competition as younger workers and women entered the workforce. It was an employer's not an employee's market. An expanding workforce allowed employers to pick and choose. They chose not to hire the elderly, the infirm, single women with children at home and black teenage males, anyone they thought might leave after a short period, add to their health care costs, have a high rate of absenteeism or otherwise become troublesome.

It was with these groups that the anti-poverty programs of the 1960's and 1970's did the job that the economy could not. The vast majority of those lifted out of poverty were the elderly, the inform, black center-city youth, female headed households, especially those headed by younger women, and children, hundreds of thousands of children.

Increases in Aid to Families with Dependent Children, Supplemental Security Income, Social Security and Unemployment Insurance provided additional income. Increased appropriations for public housing and rental supplements along with the establishment of Medicare, Medicaid, child nutrition programs and food stamps contributed to the basic neds of those who could not work. The Manpower Development and Training Act and its successor The Comprehensive Employment and Training Act provided educational, training and employment opportunities for those who sought to work but whose skills had become obsolete or who lived in a city or region by-passed by the economic expansion. MDTA and CETA also aided those who, because of discrimination, never had the opportunity to acquire skills on the job or to gain work experience.

With these programs people who could not work, mostly the elderly and children had a little money to spend rural and urban starvation and hunger decreased. The poor began to see doctors and nurses, some for the very first time in their lives. Infant mortality rates, especially among blacks, plummeted. The number of overcrowded and substandard housing units declined.

Federal intervention brought similar gains in environmental protection, occupational health and safety and civil rights between 1960 and 1975.[1]

Looking back, then, we can say that this was a period of national political accomplishment and national economic accomplishment. Like most human endeavors, these accomplishments were flawed, not all of the programs were designed as well as they might have been and no goals were completely or unambiguously attained, but the accomplishments were real. These are accomplishments that we can build on in the future.

They are also accomplishments that we at AFSCME are proud of. AFSCME supported and helped to fashion many of the anti-poverty programs of the 1960's and 1970's. Since most of these programs were implemented by the states and localities AFSCME members staffed and administered them. Many AFSCME members and leaders began their public service careers in these programs.

Unfortunately the nation as a whole was not prepared to be proud of its success in alleviating poverty. During the last years of the Carter Administration the Federal government began to reduce its support for anti-poverty strategies and programs. The Reagan Administration has made the elimination of all vestiges of these efforts one of its primary goals.

I don't want to speculate today on what factors have contributed most to the apparent general acceptance of this sorry dismantling of successful domestic programs. I will say, however, that it cannot be for the oft-repeated argument that these programs did not work. We have to look behind this verbal facade to another side of the American character. To understand this retreat from victory we must examine an apparent unwillingness to support the elimination of poverty rather than focus on the isolated failures of specified programs or initiatives. As some in the military say about the War in Vietnam—"The tools for victory were there, the political will was not."

Hopefully legislation like that before us today, if an when that political will returns, would allow us to pick up the tools of the 60's and 70's and put them to good use again. Hopefully when we do this we will be smart enough to look beyond the experiences of our generation to those that preceded us as well.

The accomplishments of the 1960's and 1970's were built upon programs began two generations earlier, in the 1930's. In the 1960's this nation realized that a strong economy failed to benefit all. In the 1930's it learned that, left to its own devices, the economy could not resist severe recession. We learned that if our democratic goals and our free economy were to survive, the elected government of all the people would have to intervene on behalf of some and impose regulations upon others. We're now celebrating the 50th anniversaries of some of the programs and regulatory structures established in response to the Great Depression. In the 1960's and 1970's we were able to take direct advantage of some of these existing programs, among them Social Security, public housing, Aid to Families with Dependent Children, the Employment Service and Unemployment Insurance. If these programs had not been in place we'd have had to invent them and our task would have been much more difficult.

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[1] For a more complete discussion of the success of federal intervention strategies during the 1960's and 1970's, I'd like to direct the Committee's attention to "America's Hidden Success, A Reassessment of Twenty Years of Public Policy" by John E. Schwarz, W.W. Norton & Co., 1983.

Sometimes we forget the importance of this base from the 1930's. Sometimes we take for granted its programs' general effect on income and employment. Sometimes we forget that its regulatory restraints on business speculation protect large and small investors as well as employees from the excesses of other. We should not forget because the enemies of the anti-poverty and employment programs of the 1960's and 1970's are very aware of the importance of the 1930's. Their goal is not only to dismantle the superstructure built during the '60's and '70's but to dynamite the base laid during the 1930's.

The first involves opposition to the only federal legislation that actually encourages the employment of people. The Fair Labor Standards Act (FLSA), the nation's basic minimum wage and hour laws. The second, attempts to attach a Balanced Budget Amendment to the U.S. Constitution, strikes at the very capacity of the Federal government to intervene to protect the citizenry in the event of economic failure.

Recognizing that employers, given the opportunity, would naturally pay their employees the lowest possible wage and desiring that that wage be at least a living wage, Congress adopted the minimum wage provisions of the FLSA. Recognizing, similarly, that employers would prefer to work current employees longer hours than to hire additional employees and desiring a full employment economy, Congress adopted the overtime provisions of the FLSA. Employers could work their employees overtime but it would cost them more, time and one half, than adding additional employees to do the work. In the 1960's and 1970's Congress gradually extended the protections of the FLSA to previously uncovered groups of employees. In 1974, finally recognizing the proportion of the total labor force employed by state and local governments, Congress extended coverage to all public employees. When it did so it had a recent Supreme Court decision upholding its previous coverage of public school and public school and public hospital employees and a Labor Department study predicting a negligible impact on public payrolls to counter state and local officials' claims that such coverage was unconstitutional and prohibitively expensive. In 1976 the Supreme Court reversed itself deciding that extending coverage to public employees violated the 10th Amendment. This year it took another look at its 1976 decision, decided it had made a mistake, and went back to its original position.

AFSCME welcomed the extension of FLSA protections to public employees in 1974 and welcomes this year's court decision allowing implementation to go forward. We don't think that Congress should pay any more attention to exaggerated cost estimates coming from state and local officials today than it did in 1974. We do, however, feel that Congress should pay close attention to attempts by those who would take advantage of public officials' worries about the implementation of FLSA coverage to seriously damage the Act itself.

On the Senate side there are those who would use this opportunity to repeal the overtime protections for employees in the private sector. In the Administration there are those who would use this opportunity to revive their discredited subminimum wage for youth proposal. Our employers are not exactly discouraging broad attacks on the FLSA. They describe their problems with implementation as primarily ones of inadequate preparation time and public safety overtime but then ask for a complete exemption from the Act. Remember, Congress did not extend this Act to public employers gratuitously. There are plenty of jobs in the public service where the weariness engendered by long hours of work creates a threat to the safety of both the public and the employee.

We at AFSCME are concerned about preserving the integrity of the Fair Labor Standards Act. We think that anyone supportive of a full employment economy should share those concerns.

The successful interventions by the Federal government in the economies of the 1960's and 1930's cost money. If we are going to be able to successfully combat poverty again in the future or if we are going to be able to spend federal dollars. The astronomical deficits run up by the current Administration already call into question our ability to intervene in the future. Those who would mandate a balanced federal budget know this and rejoice. They would like to combine their amendment with their deficits and end domestic spending for all time. If a family had to live within the budgetary constraints urged for the Constitution by these people it would never be able to take out a mortgage to buy a house. If they were imposed upon the states and localities bond issues would become illegal. Localities would be prohibited from borrowing to build schools and sewage treatment plants. We think of state and local budgets as balanced yet those seeking to amend the Constitution would preclude the Federal government from using the same economic instruments used every day by families, localities and states.

The crime of the current Administration is not its deficits or its deficit spending. Its crime is the extent of its deficits and their purpose. This Administration has driven this nation into virtually unimaginable debt in order to further enrich the already rich and to preclude democratic responses to future poverty and recession.

We need to keep the programs of the 1960's and 1970's alive and we need to protect the 1930's base on which those programs were built. Legislation like that before us today will help. However we need to be specific as well. We need to defend the U.S. Constitution from those who would turn it into a strait jacket for the Federal government. We need to defend the Fair Labor Standards Act from those who would remove its potential as a cornerstone for a full employment economy.

Mr. HAYES. Mr. Jordan.

STATEMENT OF MELVIN JORDAN, EXECUTIVE DIRECTOR, NAACP

Mr. JORDAN. Mr. Chairman, I am Mel Jordan, executive director of the NAACP, south side branch. I appear today on behalf of the branch and representing Rev. B. Herbert Martin, president of our board.

I appear in support of H.R. 1398. Others who will testify here today will provide this subcommittee with devastating statistics on unemployment and the immoral increase in poverty and hunger of the poor.

I will speak to what the potential impact of H.R. 1398 will have on improving our future, when enacted.

In Chicago, where over 40 percent of our young adults and adult minorities are unemployed, where over 70 percent of the public school dropouts are minority youth, 7 out of every 10 black and Hispanic students will never graduate high school. In a public school system which has an enrollment of over 430,000 students, potentially 301,000 of those students will not graduate through the system.

Twenty-nine percent of these will, 2 years after leaving high school, come under the jurisdiction of the Illinois courts and become part of the 76 percent minority prison population in Illinois.

We encourage fifth and sixth generation public aid and public housing lifestyles through a pattern of unemployment and inadequate education. Far too many of our children live through their childhoods never having seen an adult family member with a job.

In my opinion, we face the potential of the greatest civil catharsis in the Nation's history between the haves and the have-nots. Minorities and women, the poor, the old, and the handicapped face an administration in Washington which seems to take sadistic disregard of human rights and people needs in this country, South Africa and Central America.

If H.R. 1398, in its broadest context, even minimally, forces attention and resolution on the survival of those protected groups, these protected groups, it will have done a great work.

You Members of Congress face a backward climb up Mount Rushmore to the passage and surely the override of a veto of H.R. 1398. You must exercise resolve as never before in our history.

Because we have been led by title VII of the 1964 Civil Rights Act, to believe that the gods of economic opportunity were alive and welcoming protected classes to the church of affirmative action, only to find now that we are told "God is dead". We do not believe it, and we will not accept it because we can now live history and we know that this administration will not be able to wrap the fires of frustration in the paper boxes of surplus cheese.

Mr. Reagan has been the Pearl Harbor of the poor around the world. Our voting power will keep us from suffering the insults and disrespect of Arab businesses in our communities, the vote will keep us from suffering the insults of past cultural brutalities, which have left our children addicted to drugs, our young girls pregnant, our young boys uneducated and jailed, our neighborhoods victimized by absentee landlords operating slums.

The vote will help us to help you, the concerned Members of Congress to hold fast to the premise of the dignity of man, the goodness of the work ethic, and, finally, the self worth of the educated and trained worker.

You guys have our votes and our prayers. Our full testimony will be submitted to the committee in full.

[Prepared statement of Mel F. Jordan follows:]

PREPARED STATEMENT OF MEL F. JORDAN, EXECUTIVE DIRECTOR, NAACP METROPOLITAN COUNCIL, CHICAGO (SOUTHSIDE BRANCH)

Mr. Chairman and distinguished members of the committee, I am Mel F. Jordan, executive director, of the Chicago Metropolitan Council of NAACP Branches, Chicago (Southside Branch).

I appear today on behalf of the branch and representing Reverend B. Herbert Martin, president of our board.

I appear in support of H.R. 1398. Others who will testify here today will provide this committee with devastating statistics on unemployment and the immoral increase in poverty and hunger of the poor.

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In my opinion we face the potential of the greatest civil catharsis in this Nation's history, between the haves and the have nots, (Kerner report). Minorities and women, the poor, the old, and handicapped face an administration in Washington which seems to take sadistic disregard of human rights and people needs, in this country, South Africa and Central America. If H.R. 1398 in its broadest concept even minimally forces attention and resolution on the survival of these protected groups, it wil have done a great work.

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church of affirmative action, only to find now that we are told "god is dead". We don't believe it, and won't accept it. But we can live history now, and we know this administration will not be able to wrap the fires of frustration in the paper boxes of surplus cheese.

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The vote will help us to help you, the concerned Member of Congress to hold fast to the premise of the dignity of man, the goodness of the work ethic and finally the self worth of the educated and trained worker. You have our votes and our prayers.

Mr. HAYES. Thank you. Mr. Lumpkin.

STATEMENT OF FRANK LUMPKIN, CHAIRPERSON, THE NATIONAL CONGRESS OF UNEMPLOYED ORGANIZATIONS

Mr. LUMPKIN. Honorable Chair and Members of Congress, I am Frank Lumpkin, chairperson of the National Congress of Unemployed Organizations. I also am chairperson of Save our Jobs Committee.

In Chicago, workers of steel 5½ years ago, when Harvester closed our mill without paying our benefits, many of us are still unemployed, but we have not given up our fight for jobs and justice.

I think the income and jobs action bill is one of the most important acts Congress should pass now, before it is too late. We must maintain the workers who have paid their dues, we must guarantee their entitlements. I mean a place to live in peace with medical care and the necessities of life. We have earned it. I did in World War II. We fought and died because we had something to fight for. We will not allow anyone to take it away from us.

We see what is happening every day, union busting breaking strikes, evicting poor jobless workers because they cannot make payments on their homes, putting their family in the street to be picked up by friends or a church for awhile, given some bread, cheese or butter once in every 2 weeks. Children are going hungry, whole families going hungry, freezing in the cold because they can't pay gas bills, watching their homes being taken away from them, seeing their children grow up with no jobs or income, young people who never had a job, not because they do not want to work, but because there are no jobs, and without jobs, there is no income. We must change this and I will tell you why.

Many have told us enough is enough, and I believe them, workers know the power of unity. The time is much shorter than we think and as I walk through the neighborhood and see and talk to the workers that I worked with, what a difference a few years have made on their lives and their children.

This cannot continue. I know it and you know it. This bill makes sense. This bill will show concern by the leaders of this country and I think it is about time.

How can one describe the agony of a family head, wife and mother, husband and father, after working over 20 years in a plant or a factory, doing what is legal and right, a worker that believes in the country's laws, because he or she thinks laws are made to protect human rights, and then finds out there are no such laws that protect jobs and income. Well, there should be such laws. And, that is why H.R. 1398 must pass, because jobs or income is the basic human right, the right to survive.

And, what we are talking about is the few days' notice you get to pay up or move out. For people in this predicament, it is the last stage in their lives. When a man has to watch his wife cry and wonder what his kids think as they look at him hungry and soon to be homeless, as they count the days before eviction, they cannot pay their mortgage notes or rent, the law will come and throw their belongings into the streets and there is no answer to give the kids but that is the law.

And, sometimes, the kids ask their parents a good question, who makes the law. Should we tell them, not the people, but Congress? How can Congress make such a law, your children ask. Why, after you put everything you have into your house for years, 10 minutes after you are evicted, the police will put you in jail if you so much as stand on the steps of your house.

Passage of H.R. 1398 will help people keep their homes when they are unemployed through no fault of their own. That is a law we can explain to our children with pride.

Can Congress pass H.R. 1398 and reduce the budget deficit? We say yes; the only way to reduce the deficit is to put people before profits. There is plenty of money. It is just going for the wrong things, for star wars and nuclear weapons and huge profits.

Passing H.R. 1398 could be the first step in changing the Nation's priorities for building the nuclear danger to rebuilding America and saving our families.

At this time, may I present to the subcommittee 10,000 signatures collected by the unemployed workers to pass H.R. 1398? We have here—actually, if I had the time to finish, what we are saying is that it is time now for every working person, family, daughter and child to get in the streets with this bill and get these procedures signed and give them to your Congressman. Let us start at the local pushing this thing. Let us make people aware of what can happen if the people in the community and their friends and the churches begin to push, and we will not have to depend on the press to come around and tell our message, we will take it to the people.

Thank you.

[Prepared statement of Frank Lumpkin follows:]

PREPARED STATEMENT OF FRANK LUMPKIN, CHAIRPERSON OF THE NATIONAL CONGRESS OF UNEMPLOYED ORGANIZATIONS

I am Frank Lumpkin, chairperson of the National Congress of Unemployed Organizations. I also have the honor to chair the Save Our Jobs Committee, formed here in Chicago by workers of Wisconsin Steel 5½ years ago when Harvester closed our mill without paying our benefits. Many of us are still unemployed, but we have not given up our fight for jobs and justice.

I think the Income and Jobs Action Bill is one of the most important acts Congress should pass now, before it's too late. We must maintain the workers who have paid their dues—we must guarantee their entitlements. I mean a place to live in peace, with medical care and the necessities of life. We have earned it. I did in World War II. We fought and died because we had something to fight for. We will not allow anyone to take it away from us.

We see what is happening every day—union busting, breaking strikes, evicting poor jobless workers because they cannot make payments on their homes, putting their family in the street to be picked up by friends or a church for a while, given some bread, cheese or butter once in two weeks. Children are going hungry, whole families going hungry, freezing in the cold because they can't pay gas bills, watching their homes being taken away from them, seeing their children grow up with no jobs or income, young people who never had a job, not because they don't want to work but because there are no jobs. And without jobs there is no income. We must change this and I will tell you why.

Many have told me enough is enough, and believe them, workers know the power of unity. I know the power of unity and I think you too know what will happen if we don't move in time. The time is much shorter than we think. As I walk through the neighborhood and see and talk to the workers that I worked with, what a difference a few years have made on their lives and their children.

This cannot continue. I know it and you know it. This bill makes sense. This bill will show concern by the leaders of this country and I think it's about time.

How can one describe the agony of a family head, wife and mother, husband and father, after working over 20 years in a plant or factory, doing what is legal and right, a worker that believes in the country's laws, because he or she thinks laws are made to protect human rights and then finds out there are no such laws that protect such rights. Well there should be such laws. And that's why HR 1398 must pass because jobs or income is the basic human rights—the rights to survive.

What we are talking about is the few days notice we get to pay up or move out. For people in that predicament it's the last stage in their lives. When a man has to watch his wife cry and wonder that his kids think as they look at him hungry and soon to be homeless, as they count the days before eviction. They can't pay their mortgage notes or rent, the law will throw their belongings into the street and there is no answer to give the kids but—" that is the law".

And sometimes the kids ask their parents a good question—who makes the laws? Should we tell them, not the people but Congress? How can Congress make such laws, your children ask. Why after you put everything you have into your house for years, 10 minutes after you're evicted the police will put you in jail if you so much as stand on the steps of your house?

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Can Congress pass H.R. 1398 and reduce the budget deficit? We say yes! The only way to reduce the deficit is to put people before profits. There's plenty of money. It's just going for the wrong things, for star wars and nuclear weapons and huge profits.

Passing H.R. 1398 could be the first step in changing the Nation's priorities from building the nuclear danger to rebuilding America and saving our families.

Mr. **HAYES**. Mr. Bedella.

Mr. **BEDELLA**. Yes. Mr. Chairman, Congressmen—

Mr. **HAYES**. Pull the mike up.

STATEMENT OF MANUEL BEDELLA, UNITED CITIZENS ORGANIZATION JOBS COMMITTEES, NATIONAL UNEMPLOYED NETWORK

Mr. **BEDELLA**. Mr. Chairman, Congressmen, I am sitting in for Robin Rich, the coordinator of the National Unemployed Network, John Dodds, who works in Philadelphia, could not make it and has asked our group to represent the network here today.

My name is Manuel Bedella. I am a Board Member of the United Citizen's Organization of East Chicago, IN, and an active member of the United Citizens Organization Jobs Committee. The committee has been a part of the National Unemployed Network since the network's inception in January 1983.

The Network was formed to give a national voice to the many unemployed groups throughout the country that came together in the 1970's and early 1980's. The groups ranged from local union committees to area-wide councils, and came from both small towns and large cities.

In the beginning, the groups mainly worked on basic survival. They ran food banks, community gardens and fundraisers. Later, we started working to save the homes of our friends facing foreclosure and to keep utilities from being shut off.

After some years of working hard on these issues, we came together in the National Unemployment Network to share our experiences and to increase our effectiveness on State, regional, and national levels.

Cooperation on the statewide level in Pennsylvania succeeded in getting the first mortgage assistance bill passed in the Nation. The network currently has 42 member groups who are also working on monitoring the JTPA program, supporting plant closings legislation and winning job guarantees where UDAG's, CDBG and other public funds are used for businesses. Other issues we work on include health care for the unemployed, developing local job banks and finding emergency housing for people. We have been to Washington three times in the last 3 years, bringing 1,000 to 2,000 jobless for mass lobby days with our legislators.

My group, the united citizens organization jobs committee, is part of a church-based community organization. We have worked to successfully stop winter evictions and utility shutoffs, to keep people in their VA and FHA homes, to improve the poor relief system, and to get free bus service for the unemployed. We have repeatedly lobbied for public service and public works jobs. We also run an unemployed hotline.

In the last 2 years, the main theme of the network has been "where's the recovery?". We participated in "First Friday" events in many cities, trying to show how the unemployment statistics mislead and how they cover up the tremendous suffering of the jobless.

Congressman Hayes explained very well the difference between the official and real unemployment figures. In the spring of this year, we waged a campaign of letters, petitions, meetings, and then finally we sent 1,200 unemployed to Washington to dramatize the need for Federal unemployment benefit extensions.

Buses, cars, and vans came from Ohio, Pennsylvania, Alabama, New York, Michigan, and many other States. The FSC program was terminated, but largely as a result of our efforts, 340,000 jobless workers were allowed up to 14 more additional checks. This compromise still left the percentage of unemployed collecting benefits at an all time low of 33 percent and below, in most States.

The experience of the FSC campaign brought home the unfortunate truth that the millions of unemployed are a forgotten group unless they are vocal and visible in Washington.

It is so hard to express the despair and the harshness of life in high unemployment towns such as East Chicago, where I have lived my whole life, or the adjoining cities of Hammond, Gary, or even Porter County. This was all a thriving industrial area. You have to be there for awhile to feel the effects on communities and on individual lives of an official unemployment rate that has been between 12 and 17 percent for the last 3 years, and a real rate of 28 percent.

In the State of Indiana, unemployed parents must divorce in order to collect welfare and medicaid for their children. Countless families are breaking up because of unemployment benefits that have run out, no job is in sight and welfare is the last resort. Once on welfare, a family of three children receives $254 a month.

In the Gary area, the poor relief system that helps people pay their uility bills and other emergency bills has totally broken down because it is based on local property taxes and extensive bond issues which can no longer carry the load.

Hundreds of people have left Gary for the Southern States and, lately, the papers have reported that hundreds of Gary area families have moved to Minneapolis in search of a job.

When they get to Minneapolis, many are offered a bus ticket home. It sometimes seems to us that this is the national plan for troubled areas. Ignore us long enough until things have gotten so bad that everyone moves out. The evacuation of northwest Indiana further erodes one of our greatest resources, the strong extended families.

In the area of health care, well-known studies, as well as surveys done by many groups in the National Unemployed Network, show that over 50 percent of the unemployed have no health insurance. In northwest Indiana, that means large numbers of hospital workers are getting laid off. People cannot afford the hospitals any longer, nor doctor or dentist care, nor the drugs. What it means in terms of health problems has been well documented by people such as Dr. Harvey Brenner, who found a clear increase in heart attacks, ulcers, hypertension, and entrances to mental hospitals with every rise in the unemployment rate.

In our lake county, almost 40 homes a week are sold at sheriff sales. Block after block is filled with boarded up homes, apartment buildings, and stores. Crime is increasingly growing.

These observations can be repeated for towns such as Youngstown, OH; Laredo, TX; and other cities in our Network and throughout the country. Can you imagine how painful it is to hear about our Nation's recovery when you live in areas such as ours? Can you imagine how people feel who have lost all they have worked for and their legislators tell them "don't worry, things are improving. Meanwhile, sign up for JTPA training."

We recently testified at JTPA oversight hearing held by our Senator, Dan Quayle. Although we fully support more funds for JTPA, the program, as it now stands, cannot scratch the surface of the need in regions such as ours. Although we have 20,000 laid-off steelworkers, only 400 will enter the Dislocated Workers Program between now and June 1986. So many people have no phone to get called by an employer, no car to drive to retraining, no income to live on while in school.

I am a 50-year-old journeyman welder with 20 years seniority at United States Steel. Since my lay-off in 1982, I have done everything possible to find work and to keep up my house payments. I was in three job search programs, through JTPA, United States Steel and my union. Through my own efforts, I found two jobs. I was laid off from both jobs.

One of them hired welders to work at substandard wages at least 12 hours a day with hardly any breaks.

Mr. Hayes. If I may just interrupt a few minutes, your statement in its entirety will be made a part of the record. So, you do not have to read it. So, if you could cut it off, we could get the last panel in, it would be helpful to us.

Mr. **Bedella**. When——

Mr. **Hayes**. Just summarize a little bit.

Mr. **Bedella**. When I read H.R. 1398, I thought, "My God, this sounds like another world. Will I live to see it?" When I showed the bill to a friend, she said, "wherever this place is, give me a bus ticket." The tragedy is that H.R. 1398, which would create the basic opportunity to earn a decent living and to live in decent communities, will be considered a fantasy bill. But, to us, it is the way America should be.

We thank you for the opportunity to testify here today, to say we would like to see a bill such as this passed before any more lives are lost or wasted due to the national tragedy of unemployment.

Thank you.

[Prepared statement of Manuel Bedella follows:]

PREPARED STATEMENT OF MANUEL BEDELLA, UNITED CITIZENS ORGANIZATION JOBS COMMITTEE, NATIONAL UNEMPLOYED NETWORK

My name is Manuel Bedella. I am a Board member of the United Citizen's Organization of East Chicago, Indiana and an active member of the UCO Jobs Committee. The Committee has been a part of the National Unemployed Network since the Network's inception in January 1983.

The Network was formed to give a national voice to the many unemployed groups throughout the country that came together in the '70's and early '80's. The groups ranged from local union committees to area-wide councils, and came from both small towns and large cities. In the beginning the groups mainly worked on basic survival. They ran food banks, community gardens and fundraisers. Later we started working to save the homes of our friends facing foreclosure, and to keep utilities from being shut off. After some years of working hard on these issues we came together in the National Unemployed Network to share our experiences and to increase our effectiveness on state, regional and national levels.

Cooperation on the statewide level in Pennsylvania succeeded in getting the first mortgage assistance bill passed in the nation. The Network currently has 42 member groups who are also working on monitoring the JTPA Program, supporting plant closings legislation and winning job guarantees wher UDAG's, CDBG and other public funds are used for businesses. Other issues we work on include health care for the unemployed, developing local job banks and finding emergency housing for people. We have been to Washington 3 times in the last 3 years, bringing 1,000 to 2,000 jobless for mass lobby days with our legislators.

My group, the UCO Jobs Committee, is part of a church based community organization. We have worked to successfully stop winter evictions and utility shut-offs, to keep people in their VA and FHA homes, to improve the poor relief system, and to get free bus service for the unemployed. We have repeatedly lobbied for public service and public works jobs. We also run an unemployed hotline.

In the last 2 years the main theme of the Network has been "Where's the Recovery?" We participated in "First Friday" events in many cities, trying to show how the unemployment statistics mislead and how they cover up the tremendous suffering of the jobless. Congressman Hayes explained very well the difference between the official and the real unemployment figures. In the spring of this year we waged a campaign of letters, petitions, meetings, and then finally we sent 1200 unemployed to Washington to dramatize the need for Federal unemployment benefit extensions. Buses, cars and vans came from Ohio, Pennsylvania, Alabama, New York, Michigan and many other states. The FSC program was terminated, but largely as a result of our efforts, 340,000 jobless workers were allowed up to 14 more additional checks. This compromise still left the percentage of unemployed collecting benefits at the all time low of 33% and below, in most states. The experience of the FSC campaign brought home the unfortunate trught that the millions of unemployed are a forgotten group unless they are vocal and visible in Washington.

It's so hard to express the despair and the harshness of life in high unemployment towns such as East Chicago, where I have lived my whole life, or the adjoining cities of Hammond, Gary, or even Porter County. This was all a thriving industrial area. You have to be there for a while to feel the effects on communities and on individual lives of an official unemployment rate that has been between 12 and 17% for the last three years, and a real rate of 28%.

In the state of Indiana unemployed parents must divorce in order to collect welfare and medicaid for their children. Countless families are breaking up because unemployment benefits have run out, no job is in sight and welfare is the last resort. Once on welfare a family of 3 children receives $254 a month.

In the Gary area the poor relief system that helps people pay their utility bills and other emergency bills has totally broken down because it is based on local property taxes and extensive bond issues which can no longer carry the load. Hundreds of people have left Gary for the Southern states, and lately the papers have reported that hundreds of Gary area families have moved to Minneapolis in search of jobs. When they get to Minneapolis, many are offered to bus ticket home. It sometimes seems to us that this is the national plan for troubled areas. Ignore us long enough until things have gotten so bad that everyone moves out. The evacuation of Northwest Indiana further erodes one of our greatest resources; the strong extended families.

In the area of health care, well known studies, as well as surveys done by many groups in the National Unemployed Network, shown that over 50% of the unemployed have no health insurance. In Northwest Indiana that means large numbers of hospital workers are getting laid off. People can't afford the hospitals any longer, nor doctor or dentist care, nor the drugs. What it means in terms of health problems has been well documented by people such as Dr. Harvey Brenner who found a clear increase in heart attacks, ulcers, hypertension and entrances to mental hospitals with every rise in the unemployment rate.

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We recently testified at JTPA oversight hearings held by our Senator, Dan Quayle. Although we fully support more funds for JTPA, the program as it now stands can not scratch the surface of the need in regions such as ours. Although we have 20,000 laid off steelworkers, only 400 will enter the Dislocated Workers Program between now and June '86. So many people have no phone to get called by an employer, no car to drive to retraining, no income to live on while in school.

I am a 54 year old journeyman welder with 20 years seniority at U.S. Steel. Since my layoff in 1982 I have done everything possible to find work and to keep up my house payments. I was in 3 "Job Search" programs, through JTPA, U.S. Steel, and my union. Through my own efforts I found 2 jobs. I was laid off from both jobs. One of them hired welders to work at substandard wages at least 12 hours a day, with hardly any breaks. They knew they could do it because of course there were so many of us who wanted the jobs. I am the father of 2 school-age children, and I'm a veteran of WWII facing foreclosure on my VA insured home.

It goes without saying that I and thousands of members of NUN would support HR 1398. We support the right to earn a living and the right to live in dignity until we find a job. We support the conversion planning fund, the 35 hour work week and plant closing prevention. We support the reduction of the military budget and the creation of private/public development banks in poverty areas. We very much support Congress writing up all money outlays for job creation to include the money that will return to the government in the form of more taxes and less public aid. We support a national policy that would make both public and private job creation the number 1 priority.

When I read HR 1398 I thought "My God, this sounds like another world. Will I live to see it?" When I showed the bill to a friend she said wherever this place is, give me a bus ticket." The tragedy is that HR 1398, which would create the basic opportunity to earn a decent living and to live in decent communities, will be considered a fantasy bill. But to us it is the way America should be.

We thank you for the opportunity to testify here today to say we would like to see a bill such as this passed before any more lives are lost or wasted due to the national tragedy of unemployment.

Mr. HAYES. I want to express my sincere appreciation to the entire panel. I do not have a question. Just one comment, Mr. Lucy, in reference to your testimony.

I notice you also are a part of the same organization which I am a part of, the Coalition of Black Trade Unionists, and your statement is entered into the record as a statement from AFSCME.

I wanted to know, at least I am sure we would be interested because this represents also the views of the coalition, what we call the CBTU, as well as your union organization.

Mr. LUCY. Yes, Mr. Chairman. In May of this year, the coalition, in convention, acted by resolution to support the legislation as introduced and the subject of hearings now before your subcommittee.

So, my comments reflect those not only of my union, but also the National Coalition of Black Trade Unionists.

Mr. HAYES. Thanks a lot.

Do you have any questions?

Thanks again for your appearance here.

Prof. Carl Orfield, Committee on Public Policy Studies, Departments of Political Science and Education and the College, The University of Chicago; and Mr. Dennis Whetstone, manager, job training programs division, Illinois Department of Commerce and Community Affairs. Mr. Orfield.

STATEMENT OF PROF. GARY ORFIELD, COMMITTEE ON PUBLIC POLICY STUDIES, DEPARTMENTS OF POLITICAL SCIENCE AND EDUCATION AND THE COLLEGE, THE UNIVERSITY OF CHICAGO

Mr. ORFIELD. Mr. Chairman, members of the subcommittee, it is a pleasure to be with you today, and I will just briefly summarize the statement which was prepared for the record.

During the last 11 months, we have been working across the State of Illinois trying to find out what has been going on with the Jobs Training Partnership Act and submitting reports as we develop information to your Subcommittee.

In a sense, we are looking at the problem we have been discussing today, on the other end, not from what might be, but from what is today, and we want to just summarize very briefly for you today what we see as the important trends and the need for jobs training and employment programs in the State of Illinois, and what we see as the—as some of the problems that we have disclosed in our report today.

We will be making a full report to the subcommittee in October, in the oversight hearings of JTPA, and until then, we will just limit our remarks to the information we have prepared and released.

Mr. HAYES. You may rest assured that your entire statement will be made a part of the record.

Mr. ORFIELD. Right.

Basically, what is happening in Illinois is that we have had a very serious series of recessions and the state has not recovered well. Unemployment here has become more severe than in the rest of the United States since 1980, and it has become more focused in particular areas in the State.

In other words, the economic destiny of different parts of our State and many other States are divergent, and the areas that are suffering the worst are the traditional industrial heartlands, the heartlands of agribusiness, and those also happen to be the areas where there is a disproportionate concentration of minorities, of people with lower educational levels, people with much lower income levels, on the average, and communities that have many fewer resources to deal with those problems.

So, the problem is becoming worse overall. It is becoming more concentrated in particular communities, and those communities have fewer resources and more problems, and they have deep educational needs. In some of those communities, like Chicago, that have a tremendous dropout rate and lack of basic skills.

In dealing with this problem, the only thing that the Federal Government has had to offer is the JTPA Program, which represents a very drastic cut in resources that are available to address these issues in any way. By our calculations, and we have cleared them with the Office of Management and Budget, the real dollars that are available across the country per unemployed worker have gone down 80 percent since 1978.

In Illinois, the reduction of funds that have come in to the State in constant value dollars has been about 78 percent, and even though those dollars that do come in to the State, we find that the way in which they are distributed tends to underestimate the need of communities that have very serious long-term persistent unemployment and poverty, particularly Chicago, and to give a somewhat disproportionate share to some of the most prosperous parts of the State, such as DuPage County.

We have also found in analyzing the statistics that are prepared by the State that those areas have not been able to spend that money. In other words, we have a contrast of areas that well-to-do and have been growing economically, getting funds that they cannot spend while areas that have very serious long-term persistent problems are getting far less funds than they used to have when the problems were much less.

The second part of our report, which I will just take a minute or two to summarize, deals with civil rights. We were stunned, frankly, when we went in to interviews on this issue to find that the Federal Government had not issued any regulations at all for the enforcement of civil rights in the JTPA Program, and that the great majority of the States had not either.

We were surprised to find that was true of our own state as well. Worse than that, we found that resources were being cut, staffs were being reduced, the data that is necessary for a full analysis was being reduced to almost nothing at the Washington level, and that the whole regulation was locked up in the Justice Department. No action was forthcoming on it.

So, we have been operating for 2 years of the Jobs Training Partnership Act, the basic Federal job training program, with no structure of Federal civil rights enforcement whatever, and most of the States have not even complied with the suggestions of the Labor Department. Many of them feeling that, as Illinois has, that until the Labor Department makes clear what they are supposed to do, that they are not going to do anything, especially since there is not any enforcement activity or any funds cut off underway.

The Labor Department notified most of the States that if they were not in compliance last November, and they have not done anything to trigger any enforcement activities since then.

Now, we think that the law requires—what is necessary for good civil rights enforcement are six basic things. A clear statement of what the law requires, regulations at the Federal and State level, collection and analysis of data, capacity to find out what is going on, monitoring, training and technical assistance in the system, strong commitment by top program leadership, both in Washington and at the State level, adequate resources and staff so that we can find out what is happening, and credible threat to use sanctions.

We do not think that this program will be taken any more seriously than the Internal Revenue Service would be if it did not have any sanctions, if they are never going to be used by any one.

We think that from other parts of our report that we will be submitting to you later, that there is plenty of evidence to suggest that there may be problems that really need serious civil rights monitoring in the program. For example, we find that while the white enrollment has dropped from the last year CETA to the second year JTPA by 4 percent in Illinois, black enrollment fell 21 percent and Hispanic enrollment fell 27 percent.

We find there are very disproportionate number of women going into vocational programs and men going into OJT programs, which are the most desirable slots in the training programs.

We find many other things that are very important in our analysis of the data. These things do not necessarily show that there has been discrimination in any particular cases, but they certainly show a minimum need for a very stringent monitoring process.

The final remark is that I think that there is some sign of progress in both the Federal and State levels, in moving toward addressing the problems, and I was very encouraged by the tone of the remarks that Mr. Whetstone will make to you.

[Prepared statement of Gary Orfield follows:]

PREPARED STATEMENT OF GARY ORFIELD, PROFESSOR OF POLITICAL SCIENCE, UNIVERSITY OF CHICAGO

During the past eleven months Illinois Unemployment and Job Training Research Project has carried out an extensive study of unemployment conditions and job programs. This study has involved twenty-six researchers, most of them students at the University of Chicago. Our project has found that there is a strong general trend toward increased unemployment in the state, that joblessness has become more focused and entrenched in certain local areas in Illinois and that funding has been both radically reduced and redirected in ways that send more of the very limited resources to areas that need them least. Our study of civil rights enforcement within JTPA found that none of the basic essentials of civil rights enforcement—clear policy, staffing, adequate resources, training, monitoring and compliance investigations, or use of sanctions—were currently in place in either the state or federal governments. These reports show both that the federal commitment to addressing the problems of jobless workers has drastically declined and that there is not assurance that those resources will be used fairly, either in distribution among parts of the state or in preventing race and sex discrimination. Our research shows that there are differences in treatment within the training programs that show the clear need for a strong civil rights policies. We believe that both portions of our study released so far show the necessity for a searching Congressional investigation of both the adequacy of the JTPA program and the nature of its administration.

The study will go far beyond the parts discussed today. The project will be delivering a book-length study of JTPA in Illinois to the subcommittee at its oversight hearings in October. At that point, after completing analysis of all of the data, we will make a comprehensive series of recommendations to the subcommittee. Until that work is finished we will not discuss issues outside the questions of resources, unemployment conditions, and civil rights.

THE ILLINOIS ECONOMY AND THE NEED FOR JOB TRAINING

As a state with a very large industrial base and a powerful export-oriented agriculture, Illinois has been very hard hit by the recessions, the exchange rate, and the shifts in industries and regional growth patterns in the 1980s. The state has had unemployment rates well above the national average and industrial and agribusiness centers have experienced very dramatic declines and severe large-scale displacement of the labor force. As the traditional sectors of the economy have shrunk, there have, of course been growth sectors, particularly in white collar service occupations. The economic health of different parts of the state, however, has become increasingly divergent, with some regions experiencing growing long-term joblessness and shrinking job opportunities while others become centers of new white collar and other economic growth, with much better job prospects.

Illinois lost 466,000 industrial jobs from 1969 to 1983 and the fraction of its workers in industrial occupations fell from almost a third (30%) to just over a fifth (21%). A great many of the jobs lost were union jobs offering good wages to relatively low-skill workers. Throughout the 1960's and '70's, Illinois' jobless rate was below the national average, but the gap narrowed in the late seventies and since 1980 the state has experienced harder times and slower recoveries than the nation as a whole. Between 1970 and 1980 the unemployment rate nearly doubled, reaching 7.2% statewide and it then rose sharply again during the 1981–82 recession, from which Illinois has still not fully recovered.

Different parts of the state fared very differently during the long economic decline. In contrast to 1970, when all regions had jobless rates within 2.3 percent of one another, by 1980 the state's largest city, Chicago, had a rate of 9.8% in contrast to its large and booming suburban county of DuPage, with 3.7% jobless. In 1984, the city reported 9.3%, not including many workers who had dropped completely out of the labor force, while DuPage reported 6% jobless and Northern Cook County 5.7%. The worst unemployment rates in the early eighties, however, were not in Chicago but in downstate communities, including the Peoria, Decatur, and Rockford Service Delivery Areas, which were hit by sweeping industrial shutdowns.

If one looks at the nature of the population of the low and high unemployment areas in the state, one finds that those areas with the employment problems tend to have many other problems as well. They have far fewer resources and the average income of their households is 43% less than the low unemployment areas. Almost three times as many of their people are poor, and less than two-thirds of their adults are high school grads compared to four-fifths in the areas with fewer job problems. They have a higher proportion of black residents. Chicago particularly stands out with much higher poverty levels, much higher black and Hispanic population, and the lowest high school completion rate of any of the Service Delivery areas we studied. The areas with the worst job problems, diverging increasingly from the growing suburbs, were poorer, less white, and had large numbers of people needing retraining and additional education if they were to adapt to the growing sectors of the state's economy. Jobs were increasing most in the most prosperous areas with the lowest unemployment rates, creating major distribution and access problems for any job training program.

As the economy went through these difficult changes and the burden of joblessness became much higher, federal training and employment funds rapidly declined, decreasing 78% in Illinois between 1978 and 1985 in constant value dollars. All areas of the state received fewer resources to deal with a growing problem. The formula for distributing the funds under the 1982 law, however, tended to significantly understate the need of Chicago and to give to the prosperous suburban communities a share of funds that was both more than their share of the poor people in Illinois and more than they could effectively use, according to the reports for the recently concluded program year. Chicago had 50% of the state's poor but only 44% of the funds while Du Page County received substantially more than its 1.6% of the state's poor. Among the SDA's we studied, Du Page and Northern Cook spent the lowest share of their allocated funds, while the highest spending level was recorded by Southern Cook, which included areas with far higher jobless rates.

The experience in Illinois during the two years of the Job Training Partnership Act, show that seriously inadequate funding has been provided to deal with very severe and persistent problems of unemployment and that the funding is not targeted on the areas with greatest need. If there are serious inadequacies at the peak of a strong national economic recovery, the problems will become much more serious during the next national recession, when not only JTPA, but many other programs will have to deal with many more people without work. Congress should consider a much larger commitment of training and employment funds, particularly to states facing the high long-term joblessness and fundamental economic transformations that have afflicted Illinois. In a time of serious need, it is more important than ever to target the funds that are provided on the areas and people most in need of help. In place of the present distribution formula we believe that Congress should consider increased emphasis on poverty, on joblessness in excess of the state and national averages, and on long-term unemployment in distributing funds.

CIVIL RIGHTS

When we began our research on JTPA we included questions on civil rights enforcement in our interviews with the expectation that Lincoln's state would have at least the basic framework of a program for assuring nondiscrimination in the only major job training program now available to jobless Illinois workers. We were very surprised by our first interviews and followed up in both Springfield and Washington in an effort to find out how serious the problems were and what were the attitudes of the responsible officials toward correcting them. In the report we submitted to the subcommittee in June we indicated that civil rights enforcement was virtually nonexistant in the job training program and that there was no leadership from Washington in assuring even the most elemental protections.

Throughout both the transition year and the first full program year there were no federal or state regulations enforcing civil rights standards in the JTPA programs. The Labor Department's draft regulation was pidgeon-holed in the Justice Department and has yet to be released. The officials in Springfield said that they would not act until the Labor Department acted. This meant that neither level of government was informing officials and subcontractors of their concrete civil rights responsibilities under JTPA and that there was no monitoring system to find out whether or not discrimination was taking place, except in those rare instances that a person within the system realized that they could file a complaint, decided to do it, and knew where to send it.

The following list outlines the basic requirements of civil rights law and the steps that are necessary to put them into effect at the federal and state levels:

(I) A clear statement of what the law requires: issuance of comprehensive federal regulations and data collection instructions; issuance of state regulations.

(II) Collection and analysis of program data for possible patterns of discrimination: federal and state collection of information on applications, enrollments, type of program, and types of termination by race, sex, language, and education level for each SDA, dislocated workers center, and subcontractor; staffing civil rights offices, providing the necessary computer facilities, and training the officials in analysis of the data.

(III) Training and technical assistance to SDA's and contractors: federal and state training programs for officials with civil rights responsibilities with the JTPA system (DOL is now conducting such a meeting in Chicago for this federal region); required participation of SDA and contractor officials in civil rights training; reporting of racial and sex composition of SDA and contractor staffs; provision of travel funds and materials for training.

(IV) Commitment by top program leadership: statements by top DOL and Justice Department officials in Washington and Governor's Office and DCCA in state concerning the fact that civil rights protections are both basic matters of national and state law and a central management responsibility; building in civil rights activities as a standard in evaluating program managers; create state coordinating council civil rights committees.

(V) Adequate staff and resources for training and monitoring: reverse the staff cutbacks in federal and state civil rights operations in recent years; analize the staff requirements for effective civil rights monitoring and enforcement and make the necessary resources available (Congress should realize that the state and local administrative costs have been cut too severely and that civil rights enforcement has done badly in competition for scarce administrative funds.); request assistance from state civil rights agencies and other state and local agencies and nonprofit organizations in monitoring the training systems for possible problems.

(VI) Create credible threat to use sanctions: show that civil rights is a serious legal responsibility by employing formal administrative procedures and fund cutoffs or other sanctions when civil rights violations are identified and persist. (Nothing has been done to the three-fourths of the states which were overtly out of compliance with suggested federal requirements in July 1985).

Since the issuance of our civil rights report and a report reaching similar conclusions from Jobs Watch in Washington, there have been some signs of improvements. The Labor Department is now conducting training programs, though it has yet to issue regulations or deal with the other inadequacies of its program. Leaders of the Illinois program have recently informed us that the state plans to come into compliance with federal standards in the near future. Though neither level of government has yet dealt with most of the requirements for a serious civil rights program, these could be first steps in the right direction.

We urge your subcommittee to conduct full and vigorous oversight over civil rights enforcement. Our future reports will show that not only is there no basic civil rights structure, but that there is clear evidence of differential treatment of different groups within the JTPA system that demands close investigation and continuous monitoring. In Illinois, for example, since the last year of CETA the number of whites enrolled in the federally funded job training programs has dropped only 4% while the number of blacks fell 21% and Hispanic participation was down 27%. Among men and women enrolled in JTPA in Illinois, women are twice as likely to be in vocational training programs and only half as likely to be in the highly desirable on-the-job training (OJT) programs. These and many other figures we will report do not prove discrimination but they do raise very important questions that require continuous monitoring. We think that it is vital both that the enforcement capacity be built into the federal and state CETA programs and that Congress carefully observes the results and tightens the requirements of the law as necessary. As states gain power in federal programs both they and the federal funding agency must act decisively to protect basic federally guaranteed rights.

Mr. **Hayes**. Mr. Whetstone.

STATEMENT OF DENNIS WHETSTONE, MANAGER, JOB TRAINING PROGRAMS DIVISION, ILLINOIS DEPARTMENT OF COMMERCE AND COMMUNITY AFFAIRS

Mr. **Whetstone**. Congressman Hayes, Congressman Conyers, I appreciate the opportunity to make brief remarks to you as requested. I will keep them in three areas, unemployment in the State of Illinois and Chicago, the general status update on JTPA in the State of Illinois, and specifically a few comments on issues concerning the implementation and enforcement of antidiscrimination laws under the Jobs Training Partnership Act.

In regards to unemployment, I have provided for the subcommittee a table which shows the comparison of unemployment in the State of Illinois and the city of Chicago, both on an annual basis for the years 1983 and 1984.

Whenever the subcommittee reviews that, they will note that while still unacceptably high, unemployment rates for both the State as a whole and the city did show a decline in all areas. The total unemployment rate for women, for blacks, and for youth aged 16 to 19, with the exception of the Hispanics. The unemployment rate for Hispanics in the city of Chicago has risen during the past year.

Where we stand today, the last annual figures, Illinois' unemployment rate is 9.1 percent. The city of Chicago has an unemployment rate of 14.5 percent.

Regarding the status of the Jobs Training Partnership Act, I have also included for the subcommittee's perusal a summary of the results of JTPA during the first full year of implementation in the State of Illinois. You will note that under the title II-A program alone, which is the year-round program, both youth and adults, we show just under 50,000 people during the past year, that ended June 30.

We have outlined what our performance was in relation to the federally established performance standards. We show that 60 percent of all adults who terminate in this program do enter employment, and the average cost per job of $4,150.

I have also included data that shows the participation levels of the very significant segments of our immediate population in the State. These include females, youth, blacks, Hispanics, other minorities, dropouts, and welfare recipients.

We have much more detailed figures available, if you should have questions or would like us to send anything in the way of followup there.

More specifically, in terms of antidiscrimination efforts under JTPA, in the State of Illinois, there is a full commitment for implementing all antidiscrimination laws and equal opportunity compliance both at the Federal and State levels. We absolutely do support the letter and spirit of the wide variety of both Federal and State legislation that exists, but we also agree with some of the basic findings of the recent study by the University of Chicago that Professor Orfield headed.

That study raised very important and legitimate issues concerning the roles and responsibilities that all of us have at the Federal, State, and local levels to make sure that we do, in fact, enforce compliance with equal opportunity and the antidiscrimination laws.

We do feel there is a lot to be done to resolve the confusion that exists in order to ensure that there is an adequate and coordinated civil rights enforcement system in JTPA that has clearly delineated lines of responsibility and authority. We do feel we have taken numerous steps and positive steps during the past year and since the inception of JTPA, we do, in fact, have an equitable services policy for JTPA programs being operated at the local level in Illinois.

We do have a policy to ensure that women and minorities are proportionately represented in the various local private industry councils throughout the State, and we do have a track record of monitoring all of our local service delivery areas in the State concerning their equal opportunity programs that are in place.

These steps, when we couple them with the various State laws and contractual requirements that we do place on our said grantees, give us at least a strong basis to help ensure compliance with equal opportunity laws.

Yet, Illinois was, in fact, one of the 48 States and territories in this country whose equal opportunity methods of administration under JTPA were not certified by the Federal office of civil rights last year. According to the office of civil rights, most of the deficiencies that Illinois shares with other States are in the areas of accessibility, corrective actions and sanctions, and grievance procedures.

We in Illinois are committed to having our methods of administration process for JTPA certified by the office of civil rights in the immediate future. We are working directly with the staff of the office of civil rights to ensure that the steps we are taking can be sufficient to ensure certification.

We do, however, continue to share the frustration of a lot of us in the JTPA system, at the confusion that remains regarding responsibility and authority to enforce compliance and particularly to impose sanctions. We recognize that all States have been given a very broad range of oversight responsibilities and this impedes Federal legislation.

But section 167 of the JTPA statute specifically provides that while States are, in fact, responsible for establishing and implementing procedures, that are sufficient to provide reasonable guarantees that all of our subrecipients are in compliance with nondiscrimination requirements, responsibility for ensuring that compliance rests with the Secretary of Labor and not with the Governor.

This is why we are very anxious to have Federal regulations released, which, as we understand, are being held up in the Justice Department, which will provide clarification and clearly delineate the roles and responsibilities that all of us should play in JTPA.

The staff of OCR does agree that this confusion exists regarding the ability of any Governor to enforce compliance. In the meantime, we are committed to enhancing our efforts and improving our system in this State to better ensure the compliance efforts.

I appreciate the opportunity to share my remarks with you.

[Prepared statement of Dennis Whetstone follows:]

Prepared Statement of Dennis R. Whetstone, Manager, Job Training Programs Division, Illinois Department of Commerce and Community Affairs

As requested, my brief remarks will focus on unemployment in the state of Illinois; the status of federal job training programs in the state, specifically the Job Training Partnership Act (JTPA); and issues concerning the implementation and enforcement of anti-discrimination laws in the administration of JTPA.

UNEMPLOYMENT

Table 1, attached, shows a comparison of unemployment in the State of Illinois and city of Chicago for 1983 and 1984, including unemployment figures for women, youth, blacks and Hispanics.

Recent statistics for the months of June and July (1985) show a further decline in unemployment levels for both the state and the city of Chicago. Specifically:

[In percent]

	June 1985	July 1985
Illinois	8.9	8.8
Chicago	9.9	9.6

STATUS OF JTPA

Table 2 provides a summary of aggregate performance by all Illinois service delivery areas for Title II-A of JTPA for program year 1984 (ending June 30, 1985).

ANTI-DISCRIMINATION EFFORTS UNDER JTPA

There is a full commitment to the implementation of anti-discrimination laws and equal opportunity compliance in the state of Illinois. We absolutely support the letter and spirit of the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Rehabilitation Act and all other legislation prohibiting discrimination based on race, national origin, age, sex or handicap.

We also agree with some of the basic findings of a recent study by the University of Chicago which raises important and legitimate issues concerning roles and responsibilities at federal, state, and local levels to ensure and enforce compliance with equal opportunity and anti-discrimination laws.

There is much to be done to resolve the confusion which exists in order to ensure that there is an adequate, coordinated civil rights enforcement system in JTPA with clearly delineated lines of responsibility and authority.

Illinois has taken numerous positive steps in this area since the inception of JTPA. We have a strong equitable services policy for JTPA programs being operated in Illinois; we have a strong policy to ensure that women and minorities are proportionately represented on all local Private Industry Councils; and we have a track record of aggressively monitoring all local JTPA service delivery areas in the state concerning equal opportunity procedures in place.

These steps, when coupled with the various state legislative and contracting requirements, gives us a strong basis to help ensure compliance with equal opportunity and anti-discrimination laws.

Yet, Illinois was one of 48 states and territories whose equal opportunity methods of administration under JTPA were not certified by the federal Office for Civil Rights (OCR). According to the OCR, most deficiencies were in the areas of accessibility, corrective action and sanctions, and grievance procedures.

Illinois is committed to having its methods of administration process certified by OCR in the immediate future. We are working directly with staff of OCR to ensure that corrective action steps being taken are sufficient to ensure certification.

We continue to share the frustration of many in the JTPA system, however, at the confusion which remains regarding responsibility and authority to enforce compliance and impose sanctions.

While we recognize that states have been given a broad range of oversight authority for most aspects of JTPA, Section 167 of that statute specifically provides that while states are responsible for establishing and implementing equal opportunity procedures sufficient to provide reasonable guarantee that subrecipients are in compliance with nondiscrimination requirements, the responsibility for ensuring compliance with nondiscrimination provisions rests with the Secretary of Labor—not with the Governor.

This is why we are anxious to have federal regulations released which specifically provide clarification and delineate roles and responsibilities for equal employment compliance under JTPA.

Staff of OCR agree that there is much confusion regarding the ability of a Governor to enforce compliance through the imposition of sanctions. In the meantime, we remain committed to improving our system to better ensure compliance efforts.

Thank you for the opportunity to share these brief remarks with the Subcommittee.

TABLE 1.—UNEMPLOYMENT IN ILLINOIS

	1984		1983	
	Illinois	Chicago	Illinois	Chicago
Total number unemployed	511,000	193,000	640,000	218,000
Rate (percent)	9.1	14.5	11.4	16.8
Women	234,000	89,000	268,000	106,000
Percent	9.6	14.6	11.2	18.4
Blacks	143,000	115,000	165,000	133,000
Percent	21.1	22.6	25.1	27.0
Youth (16–19)	87,000	26,000	95,000	30,000
Percent	22.2	38.0	23.7	40.7
Hispanics	34,000	26,000	30,000	20,000
Percent	13.1	15.8	14.5	13.8

Source: Geographic Profile of Employment and Unemployment, 1984, 1983, Bureau of Labor Statistics

TABLE 2.—*Program year 1984—JTPA*

[Title IIA]

Total enrollments	49,707
Performance standards:	
Adult entered employment rate (percent)	59.9
Adult cost per entered employment	$4,150
Adult average wage	$4.94
Adult welfare entered employment rate (percent)	51.3
Youth entered employment rate (percent)	42.7
Youth positive termination rate (percent)	72.5
Youth cost per positive termination	$2,972
Adult cost per participant	$1,521
Youth cost per participant	$1,280
Significant segments (percent):	
Females	49.3
Youth	43.5
Blacks	41.9
Hispanics	9.8
Other minorities	2.0
Drop-outs	24.9
WIN	8.2

Source: DCCA-JTPA Basic System Indicator Report for PY'84 (7-1-84 to 6-30-85).

TABLE 3.—ILLINOIS TITLE IIA ENROLLMENTS BY CLIENT CHARACTERISTIC, PROGRAM YEAR 1984

SDA	Total	Black dropouts	Percent	Hispanic dropouts	Percent	Welfare recipients	Percent	Limited English speaking Hispanics	Percent
1	1,320	158	12	242	18	390	30	259	20
2	407	1	(1)	8	2	48	12	2	(1)
3	1,417	196	14	9	1	525	37	1	(1)
4	718	38	5	21	3	217	30	1	(1)
5	1,685	67	4	128	8	494	29	61	4
6	738	16	2	12	2	112	15	2	(1)
7	4,630	663	14	126	3	1,467	32	40	1
8	1,309	175	13	39	3	263	20	18	1
9	14,794	2,560	17	1,399	9	4,819	33	543	4
10	963	110	11	43	4	188	20	16	2
11	1,471	71	5	7	(1)	533	36	0	0
12	672	6	1	7	1	177	26	3	(1)
13	1,277	50	4	7	1	466	36	1	(1)
14	1,814	37	2	4	(1)	555	31	2	(1)
15	1,383	72	5	26	2	490	35	27	2
16	1,371	4	(1)	6	(1)	355	26	0	0
17	1,024	135	13	4	(1)	305	30	1	(1)
18	714	44	6	9	1	271	38	6	1
19	730	104	14	0	0	289	40	1	(1)
20	1,027	75	7	0	0	337	33	0	0
21	1,093	11	1	0	0	261	24	0	0
22	1,272	59	5	2	(1)	451	35	0	0
23	1,862	3	(1)	2	(1)	435	23	0	0
24	2,578	286	11	3	(1)	966	37	1	(1)
25	1,225	32	3	1	(1)	459	37	1	(1)
26	2,340	78	3	3	(1)	748	32	1	(1)
Total	49,834	5,051	10	2,108	4	15,621	31	987	2

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[1] Greater than 0 percent but less than 1 percent

TABLE 4.—ILLINOIS TITLE IIA OJT ENROLLMENTS BY CLIENT CHARACTERISTIC, PROGRAM YEAR 1984

SDA	Total	Female	Percent	Black	Percent	Hispanic	Percent
1	191	98	51	69	36	36	19
2	142	59	42	0	0	5	4
3	256	82	32	81	32	3	1
4	392	175	45	27	7	32	8
5	202	48	24	32	16	28	14
6	70	15	21	13	19	2	3
7	517	128	25	249	48	65	13
8	460	172	37	89	19	42	9
9	1,900	638	34	1,033	54	444	23
10	120	35	29	37	31	17	14
11	281	107	38	43	15	2	1
12	384	165	43	12	3	10	3
13	263	114	43	34	13	8	3
14	589	225	38	37	6	8	1
15	279	84	30	69	25	2	1
16	417	116	28	14	3	6	1
17	167	70	42	55	33	0	0
18	104	40	38	43	41	3	3
19	324	156	48	100	31	1	(1)
20	257	116	45	81	32	1	(1)
21	440	168	38	1	(1)	1	(1)
22	113	47	42	14	12	0	0
23	634	196	31	5	1	2	(1)
24	480	209	44	98	20	4	1
25	355	92	26	42	12	1	(1)
26	679	301	44	56	8	3	(1)
Total	10,016	3,656	37	2,334	23	726	7

[1] Greater than 0 percent but less than 1 percent

TABLE 5.—ILLINOIS TITLE IIA ENROLLMENTS BY CLIENT CHARACTERISTIC, PROGRAM YEAR 1984

SDA	Total	Female	Percent	Black	Percent	Hispanic	Percent
1	1,320	695	53	521	39	354	27
2	407	188	46	1	([1])	17	4
3	1,417-	698	49	663	47	26	2
4	718	348	48	74	10	59	7
5	1,685	830	49	401	24	283	17
6	738	384	52	80	11	33	4
7	4,630	2,240	48	2,866	62	321	7
8	1,309	640	49	549	42	80	6
9	14,794	7,409	50	10,035	68	3,344	23
10	963	444	46	397	41	124	13
11	1,471	804	55	488	33	15	1
12	672	326	49	20	3	19	3
13	1,277	654	51	302	24	56	4
14	1,814	856	47	172	9	16	1
15	1,383	596	43	617	45	39	3
16	1,371	604	44	63	5	14	1
17	1,024	461	45	506	49	10	1
18	714	371	52	270	38	17	2
19	730	364	50	285	39	3	([1])
20	1,027	555	54	285	28	2	([1])
21	1,093	590	54	27	2	2	([1])
22	1,272	655	51	295	23	6	([1])
23	1,862	772	41	23	1	4	([1])
24	2,578	1,256	49	1,413	55	8	([1])
25	1,255	638	52	183	15	3	([1])
26	2,340	1,175	50	361	15	5	([1])
Total	49,834	24,553	49	20,897	42	4,851	10

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[1] Greater than 0 percent but less than 1 percent

Mr. **Hayes**. I want to thank both of you for your testimony, and the statistical data which you presented along with your testimony. Certainly, it is something that we will be scrutinizing in its entirety by our subcommittee. Certainly, the figures that you presented are informative to me and I had not known that there had been some decrease of this magnitude, particularly in the number of people who are unemployed in the State of Illinois and the city of Chicago.

Your research, Mr. Orfield, in the whole JTPA Program, and your raising of the civil rights aspects of the program, has not been given the kind of publicity that it deserves, I think, and it is going to be our attempt, at least, to make sure that the record of the entire hearing is made known, so people will begin to know exactly what the performance of the JTPA has been, in particular, in this State.

I admit my whole feeling with respect to civil rights has been somewhat clouded with what I consider to be a concerted effort on the part of this administration to go in reverse on all angles of the civil rights, even in the whole area right here in Chicago of affirmative action as relates to the fire and police departments.

This is certainly an area that I am concerned and bothered about. When the Justice Department goes in to court and tries to reverse what has been done in terms of the employment of minorities, particularly blacks and these whole areas, it is of deep concern to me, and I just think that—I am just glad, and I think that the Governor of the State of Illinois, who is a part of the administration, I assume, has political aspirations.

It would seem to me it would be helpful if he would make his position known in terms of the unfairness of an approach to undo what has been done in the whole civil rights structure by the action of the Justice Department here. That if he would just let his voice be known, I think it might be helpful in sort of reversing what appears to be a trend in this direction.

I just wanted to make that comment, but I appreciate what you have said here, and the fact that you have given, and you have indicated, I think, if I understood you correctly, if additional information is needed, you would be more than happy to supply it.

Am I correct in saying that?

Mr. **Orfield**. Yes, you are.

Mr. **Hayes**. Allright. Congressman Conyers.

Mr. **Conyers**. Thank you, Mr. Chairman.

Could you tell me whether your office recommended to the Governor that they did not know how to interpret the Federal law with reference to implementing civil rights, or did the Governor's office advise you as to their confusion over how to administer guidelines and enforcement around the civil rights aspect of your operation?

Mr. **Whetstone**. We made recommendations to the Governor's office about the concerns that we had in the area, since there was some confusion, we felt and legal counsel felt regarding the authority of the Governor to propose state regulations or State rules which would provide the enforcement authority for civil rights and the JTPA Program in the absence of Federal regulations being issued.

Mr. CONYERS. What was the confusion?

Mr. WHETSTONE. Well, the confusion is that the enforcement of antidiscrimination laws in the JTPA is the only section of the entire statute, Federal statute, which is clearly, we feel, section 167, that makes a clear statement that the responsibility for enforcing antidiscrimination laws under the JTPA rests with the Secretary of Labor and not the Governor.

The Governors are given a broad range of discretion, powers, and responsibility for all other aspects of the program, but the fact that section 167 made it very clear that the Secretary of Labor retains the responsibility and cannot delegate that to the Governor, that our efforts at the State level are thereby limited, although it is our responsibility to build systems that do go a long way in ensuring that reasonable guarantees of civil rights are not being violated, the systems are in place at the local level.

However, when it comes to imposing sanctions on those that may violate those laws, that is something that we feel the Governor has no authority to do so. That is why we are interested and very anxious for the Federal Department of Labor and the Office of Civil Rights to somehow, as we know they arc anxious, to have Federal regulations released which will clarify one way or the other, and we are most willing to then publish any State rules and regulations that would strengthen the efforts in this State, if we had Federal rules which provide the basis for doing that.

Mr. CONYERS. Well, the responsibilities that this State has imposed upon it are no different from the responsibilities of every other State in the Union.

Mr. WHETSTONE. That is true, and when it comes to JTPA, and as I pointed out earlier, it is not something that we want to take ourselves out of that group. There are 48 and territories which the Office of Civil Rights felt were not fully meeting all of the standards of certification that we should be meeting and making sure that under JTPA, the full range of civil rights and antidiscrimination laws are being enforced.

Only eight States were found to be in compliance. That is something that we want to get out of the minus column and into the plus column very quickly.

Mr. CONYERS. Well, each State is supposed to implement the compliance mechanisms themselves. That is not unusual provision in the Federal laws.

Mr. WHETSTONE. No. We have no quarrel with that. We do have the responsibility for implementing the system.

Mr. CONYERS. So, there is no responsibility for the Feds to give you any particular direction about the implementation requirements under the law.

In other words, that is left, that mechanism, because there are varieties within the several States, are left to their discretion. So, I do not understand how we in Washington are supposed to come back and describe to you in any particular detail.

I would imagine that this same general language resides in several other Federal laws that come within the scope of the State jurisdiction.

Mr. WHETSTONE. It was my understanding that most of the confusion around the country, as I have talked to counterparts, are due to the fact that past programs, before JTPA, such as the CETA Program, were very specific. They did have Federal regulations which did clearly delineate roles and responsibilities.

We all agree at the State level where there are deficiencies and where the State does have the full responsibility to put a system in place. The only point of confusion which we hope that the issuance of Federal regulations would clarify is when, in fact, it has been found, that the deficiencies do exist or that there has been a violation, is who has the responsibility to then do something about that, and that is where the Federal statute, the only thing that is indicated is that the Secretary of Labor has the responsibility to enforce compliance and impose sanctions, the Governor does not.

And, so, we feel very reluctant to take on the responsibility which is clearly given to the Secretary. We are frustrated by that, and we hope that is clarified.

Mr. CONYERS. Well, do you have any confusion over your powers and jurisdictions to investigate?

Mr. WHETSTONE. Absolutely not.

Mr. CONYERS. Well, has that been done?

Mr. WHETSTONE. That has been done. It has not been done to the satisfaction of the Office of Civil Rights, and that is what we are trying to fix right now.

Mr. CONYERS. Well, there is no confusion over your investigative jurisdiction, is there?

Mr. WHETSTONE. No, there is not.

Mr. CONYERS. Would you like a particular instruction to come from Washington?

Mr. WHETSTONE. Yes. We would really like a particular instruction to come from Washington, when it comes to clearly defining the roles and responsibilities between the Federal, State, and local levels, for enforcing compliance and imposing sanctions.

Mr. CONYERS. And, where would you like that to come from in Washington?

Mr. WHETSTONE. From the Department of Labor, Office of Civil Rights.

Mr. CONYERS. Well, we just removed the former Secretary of the Department of Labor because he himself was involved with a long list of Federal offenses for which he is in the process of standing trial, which may result in him not being able or that Department to do anything.

Now, could it be that the Department of Justice, which reviews the civil rights regulations, might be the more appropriate party that we look to for a resolution?

Mr. WHETSTONE. That would be fine with us. It is my understanding that the Department of Labor has, in fact, proposed regulations which are now being reviewed within the Department of Justice, they have not been released by the Department as of yet, it would not matter to us where it came from.

Mr. CONYERS. OK. How long have you been in your present position?

Mr. WHETSTONE. A little over 2 years as head of the Jobs Training Program for the State.

Mr. **Conyers**. Well, let me ask counsel for the subcommittee, do you happen to have insight into this question of implementation of the regulations?

Mr. **Whetstone**. I believe Professor Orfield addressed the regulations.

Mr. **Hayes**. Wait a minute. You may not have put that into the mike.

Mr. **Jensen**. My name is Eric Jensen. I think Professor Orfield can address how long the regulations have been in the Department of Justice.

Mr. **Orfield**. I believe the regulations were sent over to the Department of Justice some time last year, and there just has not been any sign of action there.

The dilemma that that creates is that all of the States that say that they have wanted to know what the Federal law requires before they act. This produces inaction all across the board just by the Justice Department holding up the regulations, and it seems to me, from the State perspective, we have to think that there are also lots of other Federal requirements that flow through this system and all other Federal grant systems, including title VI and the title IX, the handicap legislation and so forth, which do create a legal basis and do have a regulatory plan for the States to act, even if the Justice Department were to hold up this regulation indefinitely.

But it certainly does show, I think, when you see in other parts of this system, that certain agencies in Washington, under this administration, namely the Justice Department and OMB, are playing critical roadblock functions in terms of getting the system to function equitable and are holding up absolutely essential administrative regulations and guidance throughout two full cycles of the operation of the only major jobs training program that is in existence.

Mr. **Conyers**. Do you know, sir, where at in the Department of Justice this hold up is coming from? From the whole blooming outfit or some office or some human being with a title?

Mr. **Whetstone**. I really do not know. Yesterday, I was informed by the regional director of the Office of Civil Rights that it is in the Department of Justice, when I asked for an update, and that is all the specifics I have.

Mr. **Conyers**. Have you ever had a Congressman ask you to find out for him who the particular person and office is?

Mr. **Whetstone**. Yes.

Mr. **Conyers**. You have? I thought this would be the first time for that, but it is not.

Mr. **Whetstone**. Perhaps not Congressmen, but several State legislators have.

Mr. **Conyers**. Well, you know, I would like to ask the subcommittee staff to follow up on this. You know, we could be in a sort of a classic stalemate as long as you do not know who it is we want it from, and you are not going to do anything until you get clarification, and they do not write you and you do not know who it is, guess what happens. And, that is the situation we are trying to resolve.

So, we will start monitoring that today if you could bring to the subcommittee staff's attention who it is that you feel that we need to deal with in the Department of Justice.

You see, ultimately, even in a bureaucracy, there is somebody's desk and perhaps even a disorganized flowchart. Somebody responsible for this. It is not just this faceless glob of people down there.

So, if you will help me sort this out, this might make a very helpful impact on the problems that you sound anxious to solve.

Good idea to have assent from you on the record.

Mr. **Whetstone**. Be happy to try to do that.

Mr. **Conyers**. OK. Thank you.

Mr. **Hayes**. This concludes the hearing of the subcommittee, headed by chairman, Congressman Martinez, on Employment Opportunities.

I want to thank the final panel for their contributions to the hearings, and this goes true to the other members—witnesses who appeared here, and to the people whose stuck through it from the general public who have an interest for their presence here.

We, I think, as a result of this hearing, and it may be necessary for us to make a second trip to Chicago because we did not have an opportunity to hear all the witnesses who wanted to testify on this issue in support of H.R. 1398. We just could not accommodate them all.

Certainly, I want to say to all of you that all we have gotten here may be to scratch the surface of what is a cancerous situation, and I do hope that you will let others know to become involved in trying to at least impress upon their Congressmen or their Senators the necessity for some action on this unemployment problem.

We appreciate what you have done. Thank you very much, and this concludes the hearing of our subcommittee.

[Whereupon, at 1:35 p.m., the subcommittee was concluded.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF TED PEARSON, DISTRICT ORGANIZER, COMMUNIST PARTY, USA/ILLINOIS DISTRICT

The problem of full employment or its counterpart—unemployment—and the shortage of or need for jobs; the problem of affirmative action for equality in hiring, upgrading wages for women, Afro-Americans, Latinos and other nationally oppressed people are not new. Indeed, it is in our country's beginnings, its development and its heritage, economically speaking. Therefore, in speaking of or considering the Hayes-Conyers Bill, this committee and the public should know the bill's history in the birth and development of the United States.

The Hayes-Conyers Bill speaks to the issue of full employment or income until there is a job for each; in other words, the bill speaks to the issue of the right to a job by all in the work force, or the right to unemployment insurance benefits until the unemployed, including first-time job seekers have found a job.

The concept of full employment or income is not new in the world. Such programs already exist in some capitalist countries such as Belgium.

Moreover, in the Soviet Union and in all socialist countries I have visited or know of, there is no unemployment, and citizens are entitled to a job, or income until he or she becomes employed. Hence, a strong argument could be made for the Hayes-Conyers Bill based upon precedence in some capitalist countries as well as in Socialist nations.

A strong argument for the passage of the Hayes-Conyers Bill lies in the consequence of unemployment upon the social and political motion of our times in this country. Scientists have on numerous occasions related unemployment to crime, physical and mental health problems and other social ills in our city and throughout the United States.

This committee should be aware of the estimate of some economists on unemployment as a permanent feature of capitalist society today; indeed, reports are indicating that unemployment continues to grow in every capitalist country. Even in our own country, economists say that many laid-off US workers resulting from the closing of steel, auto and other industrial plants, will never have another permanent industrial job in his or her lifetime. If this condition is true for US workers in general, then it is even worse on Blacks, Latinos and other minorities as well as women workers, who are also burdened with racism and sexism.

We are told that there are some objections to the Hayes-Conyers Bill based upon how the bill would be funded, from a "Federal Conversion Planning Fund", to be no less than one percent of the military budget each year. We believe that cutting the military budget is in the urgent interest of world peace, and for the equality and development of the developing countries which have suffered as victims of colonialism and imperialism. To meet the needs of all the world's peoples, we need to pursue a course of world disarmament. Indeed, cutting the military budget not only will make money available for jobs, but it will also steer our government away from a dangerous direction of thermo-nuclear war, while at the same time releasing the moneys from the military budgets for programs to benefit jobs, peace and justice.

Let me re-emphasize the consequences of unemployment and indeed the poverty and unemployment in our country. We are witnessing the growth of youth gangs, of dope pushing, of murder, physical and sexual abuse and crime in general. We assert that unemployment of our youth, particularly Afro-American and Latino youth, eminently relates to the urgent and disastrous problem of unemployment in our US system. We assert again, the crisis facing our youth. We assert that those who cry out against youth gangs, against crime--among youth and adults—and do not organize and mobilize the people to win the struggle for full and guaranteed employment, are pregnant with delusions and are like tinkling cymbols and sounding brass.

We hope that in our remarks will help with the development of a strong national organization that can mobilize all Americans for the passage of the Hayes-Conyers Bill.

PREPARED STATEMENT OF HON. GUS SAVAGE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

It is fitting that the first national hearing on H.R. 1398, the Income and Job Action Act, is being held in Chicago. I am proud to be a co-sponsor of the bill, for as most of you know, I have long fought for full employment at decent wages.

H.R. 1398 establishes a program to carry out the Employment Act of 1946, an Act with good intent but few concretes, and the Humphrey Hawkins Full Employment and Balanced Growth Act of 1978, an Act whose mandates have never been implmented. H.R. 1398 requires a national program for full employment at decent wages and establishes the right to an adequate standard of living for those unable to work. It specifically calls for the conversion of economic development in this country for military to civilian sectors, and from declining civilian sectors to expanding civilian industries.

The importance of this legislation cannot be overstated. As I've already noted, and we all know, the Reagan Administration has ignored the Humphrey-Hawkins Full Employment Act. Unemployment increased steadily during the early 1980s, and has now stagnated around 7.3%. Unemployment in Illinois, however, is at 9.1%. Black unemployment nationally has hovered around 15.9%, more than twice that of overall unemployment. In Illinois, the picture is even bleaker. Black unemployment is at an outrageous 21.1%. The unemployment figures of our youth are equally infamous. Black youth between the ages of 16 and 19 had a 43.1% unemployment rate according to B.L.S. February, 1985 figures, with Illinois showing a devastating 54.6%.

We are inexcusably far from the "4% unemployment by 1983" established in Humphrey-Hawkins. Surely, there is no lack of work to be done. All parts of our country face major infrastructure needs. My committee on Public Works and Transportation has reported that the estimated gap between national infrastructure needs and anticipated revenues is expected to approach $450 trillion by the year 2000—only 15 years down the road. And the longer we wait to invest in the infrastructure, the greater the expense.

Moreover, a recent report by the nonpartisan Congressional Budget Office revealed that a 1% reduction in unemployment would reduce the federal deficit by $40 billion.

Thus, H.R. 1398 is of major import to our entire country. Full employment is not a dream. It is the law and the reality of many countries around the world, and it is a must in our country, as well. It is humane, pragmatic, economically sound, and possible with a reordering of priorities and concrete implementation programs.

H.R. 1398 serves as a stimulus to the development of these programs. While some areas of the bill remain a bit vague, the testimony of those here today and of others around the country concerned with this key issue, will surely help clarify any weaknesses. Thus, I am glad to speak on behalf of the bill and want to express my appreciation to all those who have come to testify in support of this important legislation.

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